



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

May 31, 2011

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

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DAVE YOST
Auditor of State

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**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police and Fire for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

December 29, 2010

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2007 are:

- City income tax revenue totaled \$2,866,132 in governmental activities, an increase of 7.8 percent from the prior year.
- Total assets increased by \$506,589 over 2006, or 2.1 percent.
- Total net assets increased by \$1,381,036 over 2006, or 11.8 percent.
- Total capital assets increased by \$1,581,924 over 2006, or 11.3 percent.
- Total outstanding debt decreased by \$641,815 from 2006, or 7.0 percent.

Using This Financial Report

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

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

Reporting the City of East Liverpool as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

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

Reporting the City of East Liverpool's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The City as a Whole

The *Statement of Net Assets* looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$4,753,204	\$5,070,907	\$4,474,639	\$5,232,271	\$9,227,843	\$10,303,178
Capital Assets, Net	6,226,465	5,277,265	9,375,098	8,742,374	15,601,563	14,019,639
<i>Total Assets</i>	10,979,669	10,348,172	13,849,737	13,974,645	24,829,406	24,322,817
Liabilities						
Current and Other Liabilities	1,893,458	2,022,625	506,383	542,647	2,399,841	2,565,272
Long-Term Liabilities:						
Due Within One Year	317,678	336,731	625,824	453,697	943,502	790,428
Due in More than One Year	3,056,994	3,118,136	5,114,896	5,915,844	8,171,890	9,033,980
<i>Total Liabilities</i>	5,268,130	5,477,492	6,247,103	6,912,188	11,515,233	12,389,680
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	4,251,753	3,248,585	3,722,711	2,518,887	7,974,464	5,767,472
Restricted:						
Capital Projects	786,344	659,752	0	0	786,344	659,752
Debt Service	104,411	204,094	0	0	104,411	204,094
Street Maintenance and Repair	434,809	0	0	0	434,809	0
Community Development	561,230	0	0	0	561,230	0
Other Purposes	232,335	1,640,081	0	0	232,335	1,640,081
Unrestricted (Deficit)	(659,343)	(881,832)	3,879,923	4,543,570	3,220,580	3,661,738
<i>Total Net Assets</i>	\$5,711,539	\$4,870,680	\$7,602,634	\$7,062,457	\$13,314,173	\$11,933,137

Total assets increased by \$506,589 from 2006 to 2007 due to increases in capital assets.

Total liabilities had a net decrease of \$874,447. This decrease is primarily due to principal payments the City made, which reduced the City's long-term liabilities.

Total net assets increased \$1,381,036 with governmental net assets comprising \$840,859 and business-type activities comprising \$540,177 of that amount.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 shows the changes in net assets for the years ended December 31, 2007 and December 31, 2006.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$953,783	\$900,709	\$4,354,261	\$4,900,351	\$5,308,044	\$5,801,060
Operating Grants and Contributions	1,402,381	1,278,128	15,187	5,574	1,417,568	1,283,702
Capital Grants	440,093	9,904	12,478	16,151	452,571	26,055
<i>Total Program Revenues</i>	<u>2,796,257</u>	<u>2,188,741</u>	<u>4,381,926</u>	<u>4,922,076</u>	<u>7,178,183</u>	<u>7,110,817</u>
<i>General Revenues:</i>						
Property Taxes	1,267,238	1,147,876	19,370	105,057	1,286,608	1,252,933
Income Tax	2,866,132	2,658,813	0	0	2,866,132	2,658,813
Grants and Entitlements not Restricted to Specific Programs	17,532	851,690	8,530	0	26,062	851,690
Interest	83,004	101,712	16,379	46,208	99,383	147,920
Other	160,540	495,206	5,901	73,831	166,441	569,037
<i>Total General Revenues</i>	<u>4,394,446</u>	<u>5,255,297</u>	<u>50,180</u>	<u>225,096</u>	<u>4,444,626</u>	<u>5,480,393</u>
<i>Total Revenues</i>	<u>7,190,703</u>	<u>7,444,038</u>	<u>4,432,106</u>	<u>5,147,172</u>	<u>11,622,809</u>	<u>12,591,210</u>
<i>Program Expenses:</i>						
General Government	1,520,127	1,399,455	0	0	1,520,127	1,399,455
Security of Persons and Property	3,182,976	3,400,574	0	0	3,182,976	3,400,574
Transportation	688,044	904,927	0	0	688,044	904,927
Public Health and Welfare	172,677	160,610	0	0	172,677	160,610
Leisure Time Activities	155,035	135,065	0	0	155,035	135,065
Community and Economic Development	590,867	495,664	0	0	590,867	495,664
Business-Type Activities	0	0	3,842,071	4,530,145	3,842,071	4,530,145
Interest and Fiscal Charges	89,976	85,338	0	0	89,976	85,338
<i>Total Program Expenses</i>	<u>6,399,702</u>	<u>6,581,633</u>	<u>3,842,071</u>	<u>4,530,145</u>	<u>10,241,773</u>	<u>11,111,778</u>
Excess Revenues over Expenses	791,001	862,405	590,035	617,027	1,381,036	1,479,432
Transfers	49,858	0	(49,858)	0	0	0
Increase in Net Assets	840,859	862,405	540,177	617,027	1,381,036	1,479,432
Net Assets Beginning of Year	<u>4,870,680</u>	<u>4,008,275</u>	<u>7,062,457</u>	<u>6,445,430</u>	<u>11,933,137</u>	<u>10,453,705</u>
Net Assets End of Year	<u>\$5,711,539</u>	<u>\$4,870,680</u>	<u>\$7,602,634</u>	<u>\$7,062,457</u>	<u>\$13,314,173</u>	<u>\$11,933,137</u>

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Activities

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

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

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. This expense of \$3,182,976 for 2007 represents 49.7 percent of total expenses for the year.

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

The fire department employs 16 full time employees, including the Fire Chief. The City is committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement on a regular basis of worn equipment. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education and investigation.

Another major expense of the City for 2007 was Transportation, or the street maintenance and repair department. Transportation expenses account for 10.8 percent of the total expenses for 2007. The street department employs 11 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

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

Table 3
Cost of Services

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2007	2006	2007	2006
General Government	\$1,520,127	\$1,399,455	(\$389,199)	(\$812,782)
Security of Persons and Property	3,182,976	3,400,574	(2,950,713)	(3,233,793)
Transportation	688,044	904,927	362,439	(164,567)
Public Health and Welfare	172,677	160,610	(46,649)	(63,351)
Leisure Time Activities	155,035	135,065	(68,352)	(128,755)
Community and Economic Development	590,867	495,664	(420,995)	95,694
Interest and Fiscal Charges	89,976	85,338	(89,976)	(85,338)
Total	\$6,399,702	\$6,581,633	(\$3,603,445)	(\$4,392,892)

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The City's Funds

The City of East Liverpool uses fund accounting as mandated by governmental legal requirements. The intent of accounting and reporting using this method is to demonstrate compliance with these finance related requirements.

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,393,307 and expenditures of \$7,656,685. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2007. The information provided is useful to determine the City's available balances. The most significant fund is the general fund with a year-end balance of \$443,450, which included an unreserved fund balance of \$433,115, compared to annual expenditures of \$1,737,924.

The other major governmental funds are police and fire. Both of these funds had deficit fund balances at December 31, 2007, in the amounts of \$160,490 and \$132,492, respectively. These deficits are due to liabilities in these funds.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The water fund had an increase in net assets of \$759,606. Both the sewer and incinerator funds had a decrease in net assets, in the amounts of \$56,333 and \$160,930, respectively. These decreases were due to transfers out of each of these 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. The general fund supports many major activities such as the legislative and executive, judicial, public health and planning activities. Some police, fire and street activities are also funded with general fund dollars. By Ordinance, these funds are transferred from the general fund to the police, fire and street funds. For the general fund, the original budgeted revenues were \$4,450,404 and the final budgeted amount was \$4,717,398. The majority of this \$266,994 difference is due to an increase in estimated income tax revenue. Actual revenues were a bit lower, at \$4,130,999. The original budgeted expenditures were \$1,763,077 and the final budgeted expenditures were \$1,853,290. Actual expenditures were \$1,691,606, well below the original and final estimates. This was primarily a result of lower than anticipated general government expenditures.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$520,262	\$520,262	\$25,771	\$25,771	\$546,033	\$546,033
Construction in Progress	638,874	110,115	0	0	638,874	110,115
Buildings and Improvements	109,942	112,813	1,434,303	1,517,163	1,544,245	1,629,976
Improvements other than Buildings	125,185	124,971	0	0	125,185	124,971
Machinery and Equipment	924,717	426,556	1,112,027	914,047	2,036,744	1,340,603
Infrastructure	3,907,485	3,982,548	6,242,635	5,700,444	10,150,120	9,682,992
Water Lines	0	0	204,007	210,874	204,007	210,874
Sewer Lines	0	0	356,355	374,075	356,355	374,075
Totals	<u>\$6,226,465</u>	<u>\$5,277,265</u>	<u>\$9,375,098</u>	<u>\$8,742,374</u>	<u>\$15,601,563</u>	<u>\$14,019,639</u>

Total governmental capital assets for the City of East Liverpool as of December 31, 2007 were \$6,226,465. The most significant decrease in capital assets came from the depreciation of existing equipment. Additions made to capital assets during the year included the purchase of a backhoe and wheel loader and improvements to Anderson Boulevard. Total business-type capital assets as of December 31, 2007 were \$9,375,098. The increase over the prior year is due to the Anderson Boulevard project as well as other projects throughout the City. For additional information see Note 9 to the basic financial statements.

Debt

At December 31, 2007, the City of East Liverpool had \$8,509,830 in outstanding debt from installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, an Ohio Department of Transportation (ODOT) loan, a State Infrastructure Bank (SIB) loan, capital leases and police and fire pension liability. Table 5 summarizes all debt outstanding as of December 31, 2007.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Installment Loans	\$199,184	\$102,389	\$236,500	\$161,453	\$435,684	\$263,842
OPWC Loans	371,973	430,172	131,291	157,187	503,264	587,359
OWDA Loans	0	0	5,270,074	5,904,860	5,270,074	5,904,860
ODOT Loan	316,763	382,155	0	0	316,763	382,155
SIB Loan	988,792	1,113,964	0	0	988,792	1,113,964
Capital Leases	98,000	0	14,522	0	112,522	0
Police and Fire Pension	882,731	899,465	0	0	882,731	899,465
Totals	\$2,857,443	\$2,928,145	\$5,652,387	\$6,223,500	\$8,509,830	\$9,151,645

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

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

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

Current Financial Related Activities

During 2007, the City had several major projects in various stages of completion. In the spring of 2007, construction began on a complete rebuild of the roadway on Anderson Boulevard. The rebuild included water line replacement, new storm sewers, new curbs and gutters, new alignment of the roadway, removal of the old roadway base and application of seven and a half inches of new asphalt surface. Due to harsh weather, the project was not completed until June of 2008.

The water tank project was completed during 2007. This project began in 2001, with planning for the construction of a new water tank. This project involved the removal of the old tank, removal of a reservoir and construction of the new tank on the old reservoir site. The old reservoir was removed, filled in and left to settle for one year. The new tank was then constructed and filled with water in the fall of 2005. In 2007, the old tank was demolished, with the City benefiting from the sale of the scrap metal, and the project was finalized.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact the City Auditor, Terry Sprague at 126 West 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at auditorterry@gmail.com.

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City of East Liverpool, Ohio

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,427,666	\$2,270,565	\$3,698,231
Materials and Supplies Inventory	25,996	18,712	44,708
Accounts Receivable	164,881	2,027,599	2,192,480
Intergovernmental Receivable	961,668	8,530	970,198
Prepaid Items	82,822	36,113	118,935
Income Taxes Receivable	551,960	0	551,960
Property Taxes Receivable	1,337,344	113,120	1,450,464
Loans Receivable	127,446	0	127,446
Special Assessments Receivable	73,421	0	73,421
Nondepreciable Capital Assets	1,159,136	25,771	1,184,907
Depreciable Capital Assets, Net	5,067,329	9,349,327	14,416,656
<i>Total Assets</i>	<u>10,979,669</u>	<u>13,849,737</u>	<u>24,829,406</u>
Liabilities			
Accounts Payable	113,383	103,163	216,546
Accrued Wages	143,112	70,116	213,228
Intergovernmental Payable	311,793	121,142	432,935
Matured Compensated Absences Payable	9,450	0	9,450
Accrued Interest Payable	13,459	405	13,864
Accrued Vacation Payable	291,606	127,869	419,475
Deferred Revenue	1,010,655	83,688	1,094,343
Long-Term Liabilities:			
Due Within One Year	317,678	625,824	943,502
Due In More Than One Year	3,056,994	5,114,896	8,171,890
<i>Total Liabilities</i>	<u>5,268,130</u>	<u>6,247,103</u>	<u>11,515,233</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,251,753	3,722,711	7,974,464
Restricted for:			
Capital Projects	786,344	0	786,344
Debt Service	104,411	0	104,411
Street Maintenance and Repair	434,809	0	434,809
Community Development	561,230	0	561,230
Other Purposes	232,335	0	232,335
Unrestricted (Deficit)	(659,343)	3,879,923	3,220,580
<i>Total Net Assets</i>	<u>\$5,711,539</u>	<u>\$7,602,634</u>	<u>\$13,314,173</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,520,127	\$635,041	\$395,887	\$100,000
Security of Persons and Property	3,182,976	114,648	117,615	0
Transportation	688,044	48,837	661,553	340,093
Public Health and Welfare	172,677	59,449	66,579	0
Leisure Time Activities	155,035	50,910	35,773	0
Community and Economic Development	590,867	44,898	124,974	0
Interest and Fiscal Charges	89,976	0	0	0
<i>Total Governmental Activities</i>	<u>6,399,702</u>	<u>953,783</u>	<u>1,402,381</u>	<u>440,093</u>
Business-Type Activities:				
Water	2,183,347	2,737,275	7,019	4,986
Sewer	858,163	970,334	0	7,492
Incinerator	756,067	608,399	4,293	0
Off Street Parking	20,533	20,138	0	0
Thompson Park Swimming Pool	23,961	18,115	3,875	0
<i>Total Business-Type Activities</i>	<u>3,842,071</u>	<u>4,354,261</u>	<u>15,187</u>	<u>12,478</u>
<i>Total - Primary Government</i>	<u>\$10,241,773</u>	<u>\$5,308,044</u>	<u>\$1,417,568</u>	<u>\$452,571</u>

General Revenues

Property and Other Local Taxes Levied for:

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

Income Tax Levied for:

- General Purposes
- Other Purposes
- Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

- Interest
- Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$389,199)	\$0	(\$389,199)
(2,950,713)	0	(2,950,713)
362,439	0	362,439
(46,649)	0	(46,649)
(68,352)	0	(68,352)
(420,995)	0	(420,995)
(89,976)	0	(89,976)
<u>(3,603,445)</u>	<u>0</u>	<u>(3,603,445)</u>
0	565,933	565,933
0	119,663	119,663
0	(143,375)	(143,375)
0	(395)	(395)
0	(1,971)	(1,971)
<u>0</u>	<u>539,855</u>	<u>539,855</u>
<u>(3,603,445)</u>	<u>539,855</u>	<u>(3,063,590)</u>
239,928	0	239,928
830,727	0	830,727
92,010	0	92,010
104,573	0	104,573
0	19,370	19,370
2,609,114	0	2,609,114
9,072	0	9,072
247,946	0	247,946
17,532	8,530	26,062
83,004	16,379	99,383
160,540	5,901	166,441
4,394,446	50,180	4,444,626
49,858	(49,858)	0
<u>4,444,304</u>	<u>322</u>	<u>4,444,626</u>
840,859	540,177	1,381,036
<u>4,870,680</u>	<u>7,062,457</u>	<u>11,933,137</u>
<u>\$5,711,539</u>	<u>\$7,602,634</u>	<u>\$13,314,173</u>

City of East Liverpool, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Other Governmental Funds</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$181,512	\$7,994	\$3,027	\$1,235,133
Materials and Supplies Inventory	0	0	0	25,996
Accounts Receivable	152,507	11,950	424	0
Interfund Receivable	24,540	0	0	0
Intergovernmental Receivable	191,523	4,488	66,966	698,691
Prepaid Items	30,046	18,312	17,257	17,207
Income Taxes Receivable	507,826	0	0	44,134
Property Taxes Receivable	228,140	59,522	867,152	182,530
Loans Receivable	0	0	0	127,446
Special Assessments Receivable	0	0	0	73,421
<i>Total Assets</i>	<u>\$1,316,094</u>	<u>\$102,266</u>	<u>\$954,826</u>	<u>\$2,404,558</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$46,917	\$27,536	\$19,900	\$19,030
Accrued Wages	39,662	49,010	35,872	18,568
Intergovernmental Payable	69,848	110,250	97,004	34,691
Matured Compensated Absences	9,450	0	0	0
Interfund Payable	0	0	0	24,540
Deferred Revenue	706,767	75,960	934,542	854,796
<i>Total Liabilities</i>	<u>872,644</u>	<u>262,756</u>	<u>1,087,318</u>	<u>951,625</u>
Fund Balances				
Reserved for Encumbrances	10,335	4,233	3,027	1,068,286
Reserved for Loans Receivable	0	0	0	127,446
Unreserved, Undesignated, Reported in:				
General Fund	433,115	0	0	0
Special Revenue Funds (Deficit)	0	(164,723)	(135,519)	336,137
Debt Service Fund	0	0	0	81,042
Capital Projects Funds (Deficit)	0	0	0	(159,978)
<i>Total Fund Balances</i>	<u>443,450</u>	<u>(160,490)</u>	<u>(132,492)</u>	<u>1,452,933</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,316,094</u>	<u>\$102,266</u>	<u>\$954,826</u>	<u>\$2,404,558</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007*

	Total Governmental Fund Balances	\$1,603,401
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,226,465
\$1,427,666	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
25,996	Property Taxes	326,689
164,881	Income Taxes	228,692
24,540	Intergovernmental	767,076
961,668	Special Assessments	73,421
82,822	Licenses and Permits	153,158
551,960	Charges for Services	<u>12,374</u>
1,337,344	Total	1,561,410
127,446		
<u>73,421</u>		
<u>\$4,777,744</u>		
-	Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(13,459)
	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$113,383	Installment Loans	(199,184)
143,112	OPWC Loans	(371,973)
311,793	ODOT Loans	(316,763)
9,450	SIB Loans	(988,792)
24,540	Capital Leases	(98,000)
2,572,065	Police and Fire Pension	(882,731)
	Accrued Vacation Leave Payable	(291,606)
<u>3,174,343</u>	Compensated Absences	<u>(517,229)</u>
	Total	<u>(3,666,278)</u>
1,085,881		
127,446		
	<i>Net Assets of Governmental Activities</i>	<u>\$5,711,539</u>
433,115		
35,895		
81,042		
<u>(159,978)</u>		
<u>1,603,401</u>		
<u>\$4,777,744</u>		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Police	Fire	Other Governmental Funds
Revenues				
Property Taxes	\$225,086	\$54,179	\$747,194	\$155,428
Income Taxes	2,659,407	0	0	240,090
Special Assessments	0	0	0	15,569
Intergovernmental	479,495	4,027	52,631	1,592,307
Interest	81,828	0	0	1,176
Licenses and Permits	427,676	0	0	49,545
Fines and Forfeitures	142,073	3,717	0	143,128
Charges for Services	0	35,850	5,836	0
Contributions and Donations	0	0	1,000	115,525
Other	60,599	5,346	0	94,595
<i>Total Revenues</i>	<u>4,076,164</u>	<u>103,119</u>	<u>806,661</u>	<u>2,407,363</u>
Expenditures				
Current:				
General Government	1,353,125	0	0	104,703
Security of Persons and Property	0	1,787,320	1,399,546	197,437
Transportation	0	0	0	804,639
Public Health and Welfare	148,867	0	0	23,510
Leisure Time Activities	125,945	0	0	0
Community and Economic Development	109,987	0	0	480,880
Capital Outlay	0	0	0	725,107
Debt Service:				
Principal Retirement	0	5,720	11,014	294,013
Interest and Fiscal Charges	0	13,006	25,045	46,821
<i>Total Expenditures</i>	<u>1,737,924</u>	<u>1,806,046</u>	<u>1,435,605</u>	<u>2,677,110</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,338,240</u>	<u>(1,702,927)</u>	<u>(628,944)</u>	<u>(269,747)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	0	98,000
Loan Proceeds	0	0	0	147,437
Transfers In	0	1,714,165	677,783	244,023
Transfers Out	(2,454,556)	0	0	(131,557)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,454,556)</u>	<u>1,714,165</u>	<u>677,783</u>	<u>357,903</u>
<i>Net Change in Fund Balances</i>	(116,316)	11,238	48,839	88,156
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>559,766</u>	<u>(171,728)</u>	<u>(181,331)</u>	<u>1,364,777</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$443,450</u>	<u>(\$160,490)</u>	<u>(\$132,492)</u>	<u>\$1,452,933</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

	Net Change in Fund Balances - Total Governmental Funds	\$31,917
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$1,181,887	Governmental funds report capital outlays as expenditures.	
2,899,497	However, in the statement of activities, the cost of those	
15,569	assets is allocated over their estimated useful lives as	
2,128,460	depreciation expense. This is the amount by which	
83,004	capital outlay exceeded depreciation in the current period.	
477,221	Capital Asset Additions	1,262,355
288,918	Current Year Depreciation	(313,155)
41,686	Total	949,200
116,525	Revenues in the statement of activities that do not provide	
160,540	current financial resources are not reported as revenues	
7,393,307	in the funds.	
	Property Taxes	85,351
	Income Taxes	(33,365)
1,457,828	Intergovernmental	(384,979)
3,384,303	Licenses and Permits	133,584
804,639	Charges for Services	12,374
172,377	Special Assessments	(15,569)
125,945	Total	(202,604)
590,867	Repayment of debt principal is an expenditure in the	
725,107	governmental funds, but the repayment reduces long-term	
	liabilities in the statement of net assets.	
310,747		316,139
84,872	In the statement of activities, interest is accrued on	
7,656,685	outstanding debt, whereas in governmental funds, an	
	interest expenditure is reported when due.	
(263,378)		(5,104)
	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.	
98,000	Accrued Vacation Leave Payable	(12,745)
147,437	Compensated Absences	9,493
2,635,971	Total	(3,252)
(2,586,113)	Other financing sources in the governmental funds increase	
295,295	long-term liabilities in the statement of net assets.	
	Proceeds of Loans	(147,437)
31,917	Inception of Capital Lease	(98,000)
1,571,484	Total	(245,437)
\$1,603,401	Total	(245,437)
	<i>Change in Net Assets of Governmental Activities</i>	<i>\$840,859</i>

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$232,945	\$246,920	\$225,086	(\$21,834)
Income Taxes	2,953,216	3,130,389	2,646,810	(483,579)
Intergovernmental	508,649	539,164	491,488	(47,676)
Interest	84,685	89,766	81,828	(7,938)
Licenses and Permits	519,049	550,188	501,537	(48,651)
Fines and Forfeitures	145,992	154,751	141,067	(13,684)
Other	5,868	6,220	43,183	36,963
<i>Total Revenues</i>	4,450,404	4,717,398	4,130,999	(586,399)
Expenditures				
Current:				
General Government	1,369,474	1,459,829	1,314,848	144,981
Public Health and Welfare	154,119	147,103	147,103	0
Leisure Time Activities	122,432	125,424	116,752	8,672
Community and Economic Development	117,052	120,934	112,903	8,031
<i>Total Expenditures</i>	1,763,077	1,853,290	1,691,606	161,684
<i>Excess of Revenues Over Expenditures</i>	2,687,327	2,864,108	2,439,393	(424,715)
Other Financing Uses				
Transfers Out	(2,691,076)	(2,667,857)	(2,454,556)	213,301
<i>Net Change in Fund Balance</i>	(3,749)	196,251	(15,163)	(211,414)
<i>Fund Balance Beginning of Year</i>	95,522	95,522	95,522	0
Prior Year Encumbrances Appropriated	12,184	12,184	12,184	0
<i>Fund Balance End of Year</i>	\$103,957	\$303,957	\$92,543	(\$211,414)

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$818,183	\$858,754	\$54,179	(\$804,575)
Intergovernmental	60,814	63,829	4,027	(59,802)
Fines and Forfeitures	56,132	58,916	3,717	(55,199)
Charges for Services	721,851	757,645	47,800	(709,845)
Other	80,733	84,736	5,346	(79,390)
<i>Total Revenues</i>	<u>1,737,713</u>	<u>1,823,880</u>	<u>115,069</u>	<u>(1,708,811)</u>
Expenditures				
Current:				
Security of Persons and Property	1,835,270	1,921,594	1,828,001	93,593
Debt Service:				
Principal Retirement	5,707	5,720	5,720	0
Interest and Fiscal Charges	13,176	13,006	13,006	0
<i>Total Expenditures</i>	<u>1,854,153</u>	<u>1,940,320</u>	<u>1,846,727</u>	<u>93,593</u>
<i>Excess of Revenues Under Expenditures</i>	(116,440)	(116,440)	(1,731,658)	(1,615,218)
Other Financing Sources				
Transfers In	0	0	1,714,165	1,714,165
<i>Net Change in Fund Balance</i>	(116,440)	(116,440)	(17,493)	98,947
<i>Fund Balance Beginning of Year</i>	2,710	2,710	2,710	0
Prior Year Encumbrances Appropriated	14,731	14,731	14,731	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$98,999)</u>	<u>(\$98,999)</u>	<u>(\$52)</u>	<u>\$98,947</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,494,183	\$1,494,183	\$747,194	(\$746,989)
Intergovernmental	105,248	105,248	52,631	(52,617)
Charges for Services	11,670	11,670	5,836	(5,834)
Contributions and Donations	2,000	2,000	1,000	(1,000)
<i>Total Revenues</i>	<u>1,613,101</u>	<u>1,613,101</u>	<u>806,661</u>	<u>(806,440)</u>
Expenditures				
Current:				
Security of Persons and Property	1,415,698	1,518,004	1,451,550	66,454
Debt Service:				
Principal Retirement	10,650	11,014	11,014	0
Interest and Fiscal Charges	24,591	25,045	25,045	0
<i>Total Expenditures</i>	<u>1,450,939</u>	<u>1,554,063</u>	<u>1,487,609</u>	<u>66,454</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	162,162	59,038	(680,948)	(739,986)
Other Financing Sources				
Transfers In	0	0	677,783	677,783
<i>Net Change in Fund Balance</i>	162,162	59,038	(3,165)	(62,203)
<i>Fund Balance Beginning of Year</i>	1,943	1,943	1,943	0
Prior Year Encumbrances Appropriated	1,222	1,222	1,222	0
<i>Fund Balance End of Year</i>	<u>\$165,327</u>	<u>\$62,203</u>	<u>\$0</u>	<u>(\$62,203)</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio

Statement of Fund Net Assets

Proprietary Funds

December 31, 2007

	Water	Sewer	Incinerator	All Other Enterprise	Total
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$1,131,468	\$1,030,952	\$104,155	\$3,990	\$2,270,565
Accounts Receivable	1,831,353	109,424	86,822	0	2,027,599
Intergovernmental Receivable	0	0	8,530	0	8,530
Materials and Supplies Inventory	16,491	2,221	0	0	18,712
Prepaid Items	14,962	14,963	6,188	0	36,113
Property Taxes Receivable	0	0	113,120	0	113,120
<i>Total Current Assets</i>	<u>2,994,274</u>	<u>1,157,560</u>	<u>318,815</u>	<u>3,990</u>	<u>4,474,639</u>
<i>Non-Current Assets:</i>					
Land	19,623	6,148	0	0	25,771
Depreciable Capital Assets, Net	8,454,183	714,977	180,167	0	9,349,327
<i>Total Non-Current Assets</i>	<u>8,473,806</u>	<u>721,125</u>	<u>180,167</u>	<u>0</u>	<u>9,375,098</u>
<i>Total Assets</i>	<u>11,468,080</u>	<u>1,878,685</u>	<u>498,982</u>	<u>3,990</u>	<u>13,849,737</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	62,623	17,485	22,883	172	103,163
Accrued Wages	36,534	19,454	13,442	686	70,116
Intergovernmental Payable	60,843	36,264	22,434	1,601	121,142
Accrued Interest Payable	151	93	161	0	405
Accrued Vacation Payable	69,285	43,991	14,593	0	127,869
Compensated Absences Payable	0	7,891	0	0	7,891
Deferred Revenue	0	0	83,688	0	83,688
Capital Leases Payable	5,321	0	0	0	5,321
Loans Payable	28,625	5,368	34,682	0	68,675
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	442,070	84,604	0	0	526,674
Claims Payable	0	0	0	0	0
<i>Total Current Liabilities</i>	<u>722,715</u>	<u>215,150</u>	<u>191,883</u>	<u>2,459</u>	<u>1,132,207</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable (net of current portion)	43,218	37,224	0	0	80,442
Capital Leases Payable (net of current portion)	9,201	0	0	0	9,201
Loans Payable (net of current portion)	88,087	61,661	18,077	0	167,825
OPWC Loans Payable (net of current portion)	114,028	0	0	0	114,028
OWDA Loans Payable (net of current portion)	4,269,041	474,359	0	0	4,743,400
<i>Total Long-Term Liabilities</i>	<u>4,523,575</u>	<u>573,244</u>	<u>18,077</u>	<u>0</u>	<u>5,114,896</u>
<i>Total Liabilities</i>	<u>5,246,290</u>	<u>788,394</u>	<u>209,960</u>	<u>2,459</u>	<u>6,247,103</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	3,500,169	95,134	127,408	0	3,722,711
Unrestricted	2,721,621	995,157	161,614	1,531	3,879,923
<i>Total Net Assets</i>	<u>\$6,221,790</u>	<u>\$1,090,291</u>	<u>\$289,022</u>	<u>\$1,531</u>	<u>\$7,602,634</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007*

	Water	Sewer	Incinerator	All Other Enterprise	Total
Operating Revenues					
Charges for Services	\$2,737,275	\$970,334	\$608,399	\$38,253	\$4,354,261
Other	3,270	1,147	1,284	200	5,901
<i>Total Operating Revenues</i>	<u>2,740,545</u>	<u>971,481</u>	<u>609,683</u>	<u>38,453</u>	<u>4,360,162</u>
Operating Expenses					
Personal Services	1,309,784	672,105	507,036	36,556	2,525,481
Contractual Services	109,238	51,929	137,205	508	298,880
Materials and Supplies	124,534	1,560	85,645	7,430	219,169
Depreciation	295,367	121,952	22,688	0	440,007
Other	303	1,903	88	0	2,294
<i>Total Operating Expenses</i>	<u>1,839,226</u>	<u>849,449</u>	<u>752,662</u>	<u>44,494</u>	<u>3,485,831</u>
<i>Operating Income (Loss)</i>	<u>901,319</u>	<u>122,032</u>	<u>(142,979)</u>	<u>(6,041)</u>	<u>874,331</u>
Non-Operating Revenues (Expenses)					
Intergovernmental	7,019	0	12,823	3,875	23,717
Interest	16,379	0	0	0	16,379
Property Taxes	0	0	19,370	0	19,370
Interest and Fiscal Charges	(344,121)	(8,714)	(3,405)	0	(356,240)
Special Assessments	4,986	7,492	0	0	12,478
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(315,737)</u>	<u>(1,222)</u>	<u>28,788</u>	<u>3,875</u>	<u>(284,296)</u>
<i>Income (Loss) before Transfers and Capital Contributions</i>	<u>585,582</u>	<u>120,810</u>	<u>(114,191)</u>	<u>(2,166)</u>	<u>590,035</u>
Transfers In	181,917	0	0	0	181,917
Transfers Out	(7,893)	(177,143)	(46,739)	0	(231,775)
<i>Change in Net Assets</i>	<u>759,606</u>	<u>(56,333)</u>	<u>(160,930)</u>	<u>(2,166)</u>	<u>540,177</u>
<i>Net Assets Beginning of Year</i>	<u>5,462,184</u>	<u>1,146,624</u>	<u>449,952</u>	<u>3,697</u>	<u>7,062,457</u>
<i>Net Assets End of Year</i>	<u>\$6,221,790</u>	<u>\$1,090,291</u>	<u>\$289,022</u>	<u>\$1,531</u>	<u>\$7,602,634</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Water	Sewer	Incinerator	All Other Enterprise	Total
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$2,371,923	\$1,071,631	\$632,489	\$38,253	\$4,114,296
Other Cash Receipts	3,770	1,147	5,457	200	10,574
Cash Payments to Employees for Services	(1,344,759)	(676,720)	(504,443)	(36,653)	(2,562,575)
Cash Payments for Goods and Services	(261,558)	(67,512)	(200,388)	(7,766)	(537,224)
Other Cash Payments	(303)	(1,903)	(88)	0	(2,294)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>769,073</u>	<u>326,643</u>	<u>(66,973)</u>	<u>(5,966)</u>	<u>1,022,777</u>
Cash Flows from Noncapital Financing Activities					
Intergovernmental	0	0	7,653	0	7,653
Property Taxes	0	0	102,917	0	102,917
Transfers In	181,917	0	0	0	181,917
Transfers Out	(7,893)	(177,143)	(46,739)	0	(231,775)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>174,024</u>	<u>(177,143)</u>	<u>63,831</u>	<u>0</u>	<u>60,712</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Installment Loans	114,000	70,000	0	0	184,000
Proceeds from OWDA Loans	78,329	0	0	0	78,329
Principal Paid on Installment Loans	(72,960)	(2,971)	(33,022)	0	(108,953)
Interest Paid on Installment Loans	(6,187)	(2,554)	(3,405)	0	(12,146)
Principal Paid on OWDA Loans	(597,404)	(115,711)	0	0	(713,115)
Interest Paid on OWDA Loans	(363,784)	(73,958)	0	0	(437,742)
Principal Paid on OPWC Loan	(25,896)	0	0	0	(25,896)
Principal Paid on Capital Lease	(6,945)	0	0	0	(6,945)
Interest Paid on Capital Lease	(1,762)	0	0	0	(1,762)
Cash Received from Capital Grants	12,005	7,492	0	3,875	23,372
Payments for Capital Acquisitions	(751,133)	(237,183)	(62,948)	0	(1,051,264)
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(1,621,737)</u>	<u>(354,885)</u>	<u>(99,375)</u>	<u>3,875</u>	<u>(2,072,122)</u>
Cash Flows from Investing Activities					
Interest on Investments	16,379	0	0	0	16,379
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(662,261)</u>	<u>(205,385)</u>	<u>(102,517)</u>	<u>(2,091)</u>	<u>(972,254)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,793,729</u>	<u>1,236,337</u>	<u>206,672</u>	<u>6,081</u>	<u>3,242,819</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,131,468</u>	<u>\$1,030,952</u>	<u>\$104,155</u>	<u>\$3,990</u>	<u>\$2,270,565</u>

(continued)

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2007

	Water	Sewer	Incinerator	All Other Enterprise	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$901,319	\$122,032	(\$142,979)	(\$6,041)	\$874,331
Adjustments:					
Depreciation	295,367	121,952	22,688	0	440,007
(Increase) Decrease in Assets:					
Accounts Receivable	(364,852)	101,297	28,263	0	(235,292)
Prepaid Items	7,748	1,500	349	0	9,597
Materials and Supplies Inventory	16,545	0	0	0	16,545
Increase (Decrease) in Liabilities:					
Accounts Payable	(5,452)	(15,523)	22,113	172	1,310
Contracts Payable	(46,938)	0	0	0	(46,938)
Accrued Wages	7,056	2,087	2,351	77	11,571
Accrued Vacation Leave Payable	4,525	1,611	0	0	6,136
Compensated Absences Payable	(44,118)	(11,171)	2,086	0	(53,203)
Intergovernmental Payable	(2,127)	2,858	(1,844)	(174)	(1,287)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$769,073</u>	<u>\$326,643</u>	<u>(\$66,973)</u>	<u>(\$5,966)</u>	<u>\$1,022,777</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	\$10,002
Cash and Cash Equivalents in Segregated Accounts	<u>35,291</u>

<i>Total Assets</i>	<u><u>\$45,293</u></u>
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Liabilities

Undistributed Monies	<u><u>\$45,293</u></u>
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See accompanying notes to the basic financial statements

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City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 – Description of the City and Reporting Entity

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

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

Reporting Entity

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

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

The City is involved with the Columbiana Metropolitan Housing Authority and the Ohio Mid-Eastern Governments Association, which are defined as jointly governed organizations. These organizations are presented in Note 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

E. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to repurchase agreements which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$81,828, which includes \$78,771 assigned from other City funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

H. Capital Assets

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

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

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

K. Fund Balance Reserve

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$2,119,129 of restricted net assets, of which none is restricted by enabling legislation. Net assets restricted for other purposes includes funds for drug law enforcement, police law enforcement, enforcement and education programs, fire prevention and other grant funds the City receives.

M. Operating Revenues and Expenses

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

N. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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. 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

P. Estimates

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

Q. Budgetary Process

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

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

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

Note 3 – Accountability and Compliance

A. Accountability

At December 31, 2007, the police, fire, and victim witness assistance special revenue funds had deficit fund balances of \$160,490, \$132,492 and \$2,221, respectively. The deficits in these funds are caused by the application of generally accepted accounting principles to these funds. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

Contrary to Ohio Revised Code Section 5705.39, at December 31, 2007 the police special revenue fund had original appropriations in excess of certified available resources in the amount of \$98,999 and final appropriations in excess of certified available resources in the amount of \$98,999.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 - Budgetary Basis of Accounting

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. 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 and police and fire special revenue funds.

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Police	Fire
GAAP Basis	(\$116,316)	\$11,238	\$48,839
Adjustment for Revenue Accruals	54,835	11,950	0
Adjustment for Expenditure Accruals	56,653	(32,635)	(48,977)
Adjustment for Encumbrances	(10,335)	(8,046)	(3,027)
	(\$15,163)	(\$17,493)	(\$3,165)

Note 5 – Change in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

transition was determined in accordance with the statement for both the OPERS and the OP&F post-employment healthcare plan in the amount of \$21,579 and \$75,841, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 6 - Deposits and Investments

Monies held by the City are classified by State statute into three categories.

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

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

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

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

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

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

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

At year end, the City had \$17,771 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,240,374 of the City's bank balance of \$1,340,374 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2007, the City had a repurchase agreement in the amount of \$2,540,970 with an investment maturity of less than one year.

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The repurchase agreements were backed by Federal Home Loan Mortgage Corporation Bonds, which carry a rating of Aaa by Moody's. The City has no investment policy dealing with investment credit risk beyond the requirement in State statute which limits investment choices.

City of East Liverpool, Ohio
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Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. 100 percent of the City's investments were placed in a repurchase agreement as of December 31, 2007.

Note 7 - Receivables

Receivables at December 31, 2007, consisted primarily of municipal income taxes, property taxes, accounts, interest, special assessments, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes, loans receivable and special assessments receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year. Payments on loans receivable are scheduled to be repaid over several year due to loan agreement for each of the individual loans. Special assessments expected to be collected in more than one year amount to \$13,691 in the Fawcett project capital projects fund.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may be annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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The tax rate for all City operations for the year ended December 31, 2007, was \$14.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$81,170,510
Tangible Personal Property	10,177,346
Public Utility	7,496,080
Total Valuation	\$98,843,936

The County Auditor collects property taxes on behalf of all taxing districts in the county, including the City of East Liverpool. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007 and for which there is an enforceable legal claim. In the general, police, fire, police pension, fire pension and general obligation bond retirement funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Municipal Income Taxes

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

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

C. Intergovernmental Receivable

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

Governmental Activities	
Local Government Tax Distribution	\$153,974
Gas Tax Distribution	375,711
Permissive Tax	65,056
CHIP Grants	242,103
Homestead and Rollback	103,015
Miscellaneous	21,809
Total	\$961,668

The intergovernmental receivable of \$8,530 in business-type activities is homestead and rollback monies.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007, the City contracted with the Municipal Insurance Alliance of Ohio for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2007, the City purchased the following insurance coverage:

Coverage	Limit
Building and Contents	\$5,323,500
Inland Marine	906,616
Boiler and Machinery	100,000
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	1,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 9 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$520,262	\$0	\$0	\$520,262
Construction in Progress	110,115	528,759	0	638,874
<i>Total Capital Assets, not being depreciated</i>	<u>630,377</u>	<u>528,759</u>	<u>0</u>	<u>1,159,136</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	334,179	4,400	0	338,579
Improvements other than Buildings	298,301	13,400	0	311,701
Machinery and Equipment	5,011,729	664,963	0	5,676,692
Infrastructure	4,265,959	50,833	0	4,316,792
<i>Total Capital Assets, being depreciated</i>	<u>9,910,168</u>	<u>733,596</u>	<u>0</u>	<u>10,643,764</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(221,366)	(7,271)	0	(228,637)
Improvements other than Buildings	(173,330)	(13,186)	0	(186,516)
Machinery and Equipment	(4,585,173)	(166,802)	0	(4,751,975)
Infrastructure	(283,411)	(125,896)	0	(409,307)
<i>Total Accumulated Depreciation</i>	<u>(5,263,280)</u>	<u>(313,155) *</u>	<u>0</u>	<u>(5,576,435)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>4,646,888</u>	<u>420,441</u>	<u>0</u>	<u>5,067,329</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$5,277,265</u>	<u>\$949,200</u>	<u>\$0</u>	<u>\$6,226,465</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$55,045
Security of Persons and Property	72,511
Public Health	300
Transportation	156,209
Leisure Time Activities	29,090
Total Depreciation Expense	<u><u>\$313,155</u></u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Capital asset activity for business-type activities for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,013,077	0	0	4,013,077
Machinery and Equipment	3,253,192	376,176	0	3,629,368
Infrastructure	8,938,094	696,555	0	9,634,649
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>	19,869,668	1,072,731	0	20,942,399
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,495,914)	(82,860)	0	(2,578,774)
Machinery and Equipment	(2,339,145)	(178,196)	0	(2,517,341)
Infrastructure	(3,237,650)	(154,364)	0	(3,392,014)
Water Lines	(949,052)	(6,867)	0	(955,919)
Sewer Lines	(2,131,304)	(17,720)	0	(2,149,024)
<i>Total Accumulated Depreciation</i>	(11,153,065)	(440,007)	0	(11,593,072)
<i>Total Capital Assets being depreciated, Net</i>	8,716,603	632,724	0	9,349,327
<i>Business-Type Activities Capital Assets, Net</i>	\$8,742,374	\$632,724	\$0	\$9,375,098

Note 10 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

City of East Liverpool, Ohio
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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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in State and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$269,802, \$437,925 and \$448,870 respectively; 88.59 percent has been contributed for 2007 and 100 percent for 2006 and 2005. There were no contributions made to the member-directed plan for 2007 by the City or by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$129,648 and \$166,397 for the year ended December 31, 2007, \$182,018 and \$211,100 for the year ended December 31, 2006, and \$185,697 and \$244,072 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 74.00 percent has been contributed for police and 76.16 percent has been contributed for firefighters for 2007.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 11 – Postemployment Benefits

A. Ohio Public Employees Retirement System

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$206,218, \$143,858 and \$132,506, respectively; 88.59 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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

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

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$68,637 and \$65,112 for the year ended December 31, 2007, \$72,261 and \$68,185 for the year ended December 31, 2006, and \$73,803 and \$138,780 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 74.00 percent has been contributed for police and 76.16 percent has been contributed for firefighters for 2007.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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Note 12 – Other Employee Benefits

A. Compensated Absences

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

B. Insurance

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

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

Note 13 – Contingencies

A. Grants

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

B. Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2007.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
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Note 14 - Long-Term Obligations

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

	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
1999 Fifth Street Loan - 5.32%	\$36,864	\$0	(\$5,389)	\$31,475	\$5,731
2004 Cruisers Loan - 3.00%	17,130	0	(17,130)	0	0
2005 SBC System Loan - 3.60%	48,395	0	(12,572)	35,823	13,033
2007 Cruisers Loan - 4.65%	0	61,887	(11,354)	50,533	20,212
2007 Aerial Fire Truck - 5.95%	0	72,150	(445)	71,705	5,439
2007 Storage Tank Removal - 5.60%	0	13,400	(3,752)	9,648	6,729
<i>Total Installment Loans</i>	<u>102,389</u>	<u>147,437</u>	<u>(50,642)</u>	<u>199,184</u>	<u>51,144</u>
Ohio Public Works Commission Loans:					
1999 Downtown Rehabilitation Loan - 0.00%	37,500	0	(22,500)	15,000	15,000
2003 State Route 39 Improvement Loan - 0.00%	392,672	0	(35,699)	356,973	23,798
<i>Total Ohio Public Works Commission Loans</i>	<u>430,172</u>	<u>0</u>	<u>(58,199)</u>	<u>371,973</u>	<u>38,798</u>
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	382,155	0	(65,392)	316,763	60,000
<i>Total Ohio Department of Transportation Loan</i>	<u>382,155</u>	<u>0</u>	<u>(65,392)</u>	<u>316,763</u>	<u>60,000</u>
State Infrastructure Bank Loan:					
2004 St. Clair Paving Loan - 3.00%	1,113,964	0	(125,172)	988,792	128,955
<i>Total State Infrastructure Bank Loan</i>	<u>1,113,964</u>	<u>0</u>	<u>(125,172)</u>	<u>988,792</u>	<u>128,955</u>
Capital Lease:					
2007 Backhoe and Wheel Loader - 5.00%	0	98,000	0	98,000	17,736
Compensated Absences	526,722	51,400	(60,893)	517,229	3,596
Police and Fire Pension	899,465	0	(16,734)	882,731	17,449
Total Governmental Activities	<u><u>\$3,454,867</u></u>	<u><u>\$296,837</u></u>	<u><u>(\$377,032)</u></u>	<u><u>\$3,374,672</u></u>	<u><u>\$317,678</u></u>

City of East Liverpool, Ohio
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	Balance 12/31/2006	Issued	Retired	Balance 12/31/2007	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2001 Henry Avenue Water Loan - 5.61%	\$40,085	\$0	(\$40,085)	\$0	\$0
2003 Backhoe Water Loan - 3.25%	15,833	0	(11,756)	4,077	4,077
2005 Water Truck Water Loan - 3.25%	19,754	0	(15,739)	4,015	4,015
2007 Anderson Boulevard Water Loan - 6.25%	0	100,000	(4,245)	95,755	7,668
2007 Boiler and Steam Lines Water Loan - 6.10%	0	14,000	(1,135)	12,865	12,865
2006 Garbage Truck Incinerator Loan - 4.73%	85,781	0	(33,022)	52,759	34,682
2007 Anderson Boulevard Sewer Loan - 6.25%	0	70,000	(2,971)	67,029	5,368
<i>Total Installment Loans</i>	<u>161,453</u>	<u>184,000</u>	<u>(108,953)</u>	<u>236,500</u>	<u>68,675</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue					
Water Tank Water Loan - 0.00%	97,500	0	(19,500)	78,000	13,000
2001 Henry Avenue Waterline Water Loan - 0.00%	59,687	0	(6,396)	53,291	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>157,187</u>	<u>0</u>	<u>(25,896)</u>	<u>131,291</u>	<u>17,263</u>
Ohio Water Development Authority Loans:					
1985 Project #1340 Water Loan - 9.78%	982,589	0	(281,466)	701,123	212,301
1994 Project #3099 Water Loan - 5.94%	661,553	0	(110,616)	550,937	79,444
1996 Project #3100 Water Loan - 5.94%	25,480	0	(4,238)	21,242	3,050
2004 Project #4181 Water Loan - 3.35%	3,560,565	78,329	(201,084)	3,437,810	147,275
1996 Project #1548 Sewer Loan - 5.96%	674,673	0	(115,711)	558,962	84,604
<i>Total Ohio Water Development Authority Loans</i>	<u>5,904,860</u>	<u>78,329</u>	<u>(713,115)</u>	<u>5,270,074</u>	<u>526,674</u>
Capital Lease:					
2007 Computer Equipment Water Lease - 6.81%	0	21,467	(6,945)	14,522	5,321
Compensated Absences	146,041	0	(57,708)	88,333	7,891
Total Business-Type Activities	<u><u>\$6,369,541</u></u>	<u><u>\$283,796</u></u>	<u><u>(\$912,617)</u></u>	<u><u>\$5,740,720</u></u>	<u><u>\$625,824</u></u>

Within governmental activities, the City has installment loans, OPWC loans, an ODOT loan, and a SIB loan. These loans are to finance various projects and equipment purchases. All are being paid from the City's debt service fund.

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

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2027. Annual principal and interest payments on the debt issues are expected to require less than 82 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$6,238,498. Principal and interest paid for the current year and total net revenues were \$992,495 and \$1,225,070, respectively.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City has pledged future revenues, net of operating expenses, to repay an OWDA loan in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2027. Annual principal and interest payments on the debt issues are expected to require less than 78 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$718,333. Principal and interest paid for the current year and total net revenues were \$192,223 and \$251,476, respectively.

The City also has two capital leases. The governmental activities' capital lease is paid from the street capital improvement fund. The business-type activities' lease is paid from the water fund.

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

As of December 31, 2007, the City's overall legal debt margin was \$8,582,943 and the unvoted legal debt margin was \$3,640,736. Principal and interest requirements to retire the outstanding debt at December 31, 2007, are as follows:

	Governmental Activities					
	Installment Loans		OPWC Loans	ODOT Loan	SIB Loan	
	Principal	Interest	Principal	Principal	Principal	Interest
2008	\$51,144	\$9,125	\$38,798	\$60,000	\$128,955	\$28,704
2009	49,453	6,671	23,798	60,000	132,853	25,806
2010	30,929	4,601	23,798	60,000	136,869	20,791
2011	13,249	3,638	23,799	60,000	141,006	16,654
2012	13,535	2,876	23,798	60,000	145,268	12,392
2013-2017	40,874	6,464	118,991	16,763	303,841	11,479
2018-2022	0	0	118,991	0	0	0
Totals	<u>\$199,184</u>	<u>\$33,375</u>	<u>\$371,973</u>	<u>\$316,763</u>	<u>\$988,792</u>	<u>\$115,826</u>

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2008	\$68,675	\$12,165	\$17,263	\$526,674	\$261,566
2009	31,992	9,337	17,263	564,140	224,099
2010	14,823	8,181	17,263	604,554	183,684
2011	15,790	7,214	17,264	367,601	139,770
2012	16,801	6,202	17,263	387,564	119,805
2013-2017	88,419	13,182	34,316	1,099,772	387,170
2018-2022	0	0	10,659	1,098,297	207,797
2023-2025	0	0	0	621,472	31,575
Totals	<u>\$236,500</u>	<u>\$56,281</u>	<u>\$131,291</u>	<u>\$5,270,074</u>	<u>\$1,555,466</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 15 – Capital Leases

In 2007, the City entered into a capital lease for a backhoe and wheel loader in the governmental activities and computer equipment in the business-type activities. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases”, and have been recorded as capital assets on the government-wide statements. Capital lease payments are reflected as debt service expenditures in the general fund on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$98,000	\$21,467
Less: Accumulated Depreciation	(9,800)	(4,293)
Current Book Value	\$88,200	\$17,174

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

	Governmental Activities	Business-Type Activities
2008	\$22,635	\$6,147
2009	22,635	6,147
2010	22,635	3,581
2011	22,635	0
2012	22,635	0
Total Minimum Lease Payments	113,175	15,875
Less: Amount Representing Interest	(15,175)	(1,353)
Totals	\$98,000	\$14,522

Note 16 – Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Exchange transactions between funds are reported as interfund balances and interfund transfers.

A. Interfund Balances

Interfund balances for the year ended December 31, 2007, consisted of an interfund receivable of \$24,540 in the general fund and interfund payables of \$545 in the victim witness assistance special revenue fund and \$23,995 in the Fawcett project capital projects fund. All of the loans will be repaid during 2008.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer To	Transfer From					Total
	General Fund	Nonmajor Funds	Water Fund	Sewer Fund	Incinerator Fund	
Nonmajor Funds	\$62,608	\$131,557	\$7,893	\$5,526	\$36,439	\$244,023
Police Fund	1,714,165	0	0	0	0	1,714,165
Fire Fund	677,783	0	0	0	0	677,783
Water Fund	0	0	0	171,617	10,300	181,917
Grand Total	\$2,454,556	\$131,557	\$7,893	\$177,143	\$46,739	\$2,817,888

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

Note 17 - Jointly Governed Organizations

A. Columbiana Metropolitan Housing Authority (the Authority)

The Authority is a non-profit organization established to provide adequate public housing fro 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 2007. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which City of East Liverpool is responsible.

B. Ohio Mid-Eastern Governments Association (OMEGA)

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2007, OMEGA received \$1,963 from the City of

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

Note 18 – Closure and Post-closure Care Cost

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

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

Note 19 – Subsequent Event

On January 3, 2008, the City entered into a bond anticipation note with First National Community Bank in the amount \$200,000 for general operating expenses of the City. The interest rate is 6.1 percent and the note matures on January 3, 2009.

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-F-05-115-1	14.228	\$33,938
	A-F-06-115-1		78,849
Total Community Development Block			<u>112,787</u>
Home Investment Partnership Program	A-C-06-115-1	14.239	133,529
	A-C-06-115-2		210,699
Total Home Investment Partnership Program			<u>344,228</u>
Total U.S. Department of Housing and Urban Development			<u>457,015</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	144,955
Total U.S. Department of Transportation			<u>144,955</u>
Total			<u>\$601,970</u>

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

**CITY OF EAST LIVERPOOL
COLUMBANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE C - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2007-001 is also a material weakness.

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 29, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

December 29, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of East Liverpool (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of East Liverpool complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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www.auditor.state.oh.us

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

December 29, 2010

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Home Investment Partnership Program (CFDA #14.239)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Noncompliance Finding/Material Weakness

Ohio Revised Code Section 733.43, states the treasurer of a municipal corporation shall keep an accurate account of (A)- all moneys received by him, showing the amount thereof, the time received, from whom, and on what account received, and (B)- all disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid.

He shall so arrange his books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts.

**FINDING NUMBER 2007-001
(Continued)**

During calendar year 2007 the Treasurer failed to keep an accurate account of either moneys received by him, or disbursements made by him. In addition, the Treasurer failed to prepare monthly bank reconciliations between the bank balances and the fund balances per the City's accounting records. As a result the depository balance was \$53,137 in excess of the recorded cash fund balances as of December 31, 2007.

As a result of additional audit procedures to identify the difference, the following adjustments were necessary to increase the cash fund balances as of December 31, 2007 to properly reconcile with the depositories:

General Fund other receipts were increased by \$17,846 and the cash fund balance went from \$163,666 to \$181,512.

Agency Fund undistributed monies were increased \$35,291 and the cash and cash equivalents in segregated accounts were increased from \$0 to 35,291.

The financial statements and the City's accounting records have been adjusted to reflect these adjustments.

We recommend the City establish control procedures to assure the Treasurer keep accurate accounts of all receipts and disbursements of the City. In addition, we recommend monthly bank reconciliations be prepared and any differences investigated at the time to determine if adjustments are necessary to the accounting records. The City should also establish review procedures by management or Council over the recording of the City's activity in the accounting records as well as the reporting of that activity in the financial statements.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Revised Code § 5705.41(B), expenditures exceeded appropriations	Yes	Finding No Longer Valid
2006-002	Revised Code 733.43, treasurer keep an accurate account of moneys and disbursements	No	Not Corrected. Repeated as Finding 2007-001.

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Dave Yost • Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2011**