



Rea & associates a *brighter* way

City of East Liverpool Columbiana County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2014



Dave Yost • Auditor of State

City Council
City of East Liverpool
126 W 6th St.
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 4, 2016

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Columbiana County, Ohio
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October 30, 2015

To Members of Council and Management
City of East Liverpool
Columbiana County, Ohio
126 W 6th St.
East Liverpool, Ohio 43920

Independent Auditor's Report

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund, Police fund, Fire fund and Street Levy fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014. 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 2014 are:

- The City's governmental net position increased during 2014 due to the capital asset additions from capital grants along with a reduction in long-term liabilities due to the continued pay-down of debt obligations. The business-type net position had a decrease in net position during 2014 primarily due to declining revenues and increases in contractual services expense.
- In 2014, the City purchased police and service vehicles, made various road improvements, upgraded the water treatment plant, completed construction that was previously started and bought 2 load packers.
- The City reduced its long-term obligations by \$92,173 in 2014 due to continued debt service payments.

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 Position* 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 Position 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 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

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

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenue and Expenses
- General Revenues
- Net Position 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 10. 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 City 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, street levy, Parkway/Walnut/5th/6th street improvements, water, sewer and incinerator funds.

Governmental Funds

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

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise funds are the water, sewer and incinerator funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The internal service fund accounts for the City's self-insurance program covering the deductible cost of medical insurance.

City of East Liverpool, Ohio
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For the Year Ended December 31, 2014
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Fiduciary Funds

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

The City as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$4,654,909	\$5,285,207	\$5,860,866	\$7,296,995	\$10,515,775	\$12,582,202
Capital Assets, Net	11,141,914	10,323,568	8,991,570	8,230,855	20,133,484	18,554,423
<i>Total Assets</i>	<u>15,796,823</u>	<u>15,608,775</u>	<u>14,852,436</u>	<u>15,527,850</u>	<u>30,649,259</u>	<u>31,136,625</u>
Liabilities						
Current and Other Liabilities	658,747	753,204	390,095	454,493	1,048,842	1,207,697
Long-Term Liabilities:						
Due Within One Year	444,785	447,566	329,967	344,361	774,752	791,927
Due in More than One Year	2,049,096	2,149,006	3,106,374	3,081,462	5,155,470	5,230,468
<i>Total Liabilities</i>	<u>3,152,628</u>	<u>3,349,776</u>	<u>3,826,436</u>	<u>3,880,316</u>	<u>6,979,064</u>	<u>7,230,092</u>
Deferred Inflows of Resources	<u>1,030,890</u>	<u>1,122,154</u>	<u>0</u>	<u>0</u>	<u>1,030,890</u>	<u>1,122,154</u>
Net Position						
Net Investment in Capital Assets	9,671,482	8,648,919	5,607,188	4,857,927	15,278,670	13,506,846
Restricted:						
Capital Projects	296,542	317,011	0	0	296,542	317,011
Debt Service	64,860	136,668	0	0	64,860	136,668
Street Maintenance and Repair	453,887	444,717	0	0	453,887	444,717
Community Development	146,083	537,219	0	0	146,083	537,219
Other Purposes	630,677	310,508	0	0	630,677	310,508
Unclaimed Monies	1,506	1,750	0	0	1,506	1,750
Unrestricted	348,268	740,053	5,418,812	6,789,607	5,767,080	7,529,660
<i>Total Net Position</i>	<u>\$11,613,305</u>	<u>\$11,136,845</u>	<u>\$11,026,000</u>	<u>\$11,647,534</u>	<u>\$22,639,305</u>	<u>\$22,784,379</u>

Total current and other assets for governmental activities decreased due to a decrease in cash and cash equivalents resulting largely from the completion on construction in progress and the purchase of new capital assets. Net investment in capital assets for governmental activities increased due to improvements, the purchase of various equipment and vehicles as well as road improvements. This increase was partially offset by annual depreciation. The decrease in long-term liabilities was due to the continued pay-down of long-term obligations.

Total current and other assets for business-type activities decreased due to a decrease in cash and cash equivalents resulting largely from the completion on construction in progress and the purchase of new capital assets. Net capital assets for business-type activities increased as a result. The decrease in long-

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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term liabilities for business-type activities decreased due to the continued pay-down of long-term obligations.

Table 2 shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$889,015	\$928,772	\$4,598,313	\$4,774,435	\$5,487,328	\$5,703,207
Operating Grants and Contributions	1,001,243	922,653	40,214	37,373	1,041,457	960,026
Capital Grants and Contributions	1,119,078	154,252	0	0	1,119,078	154,252
<i>Total Program Revenues</i>	<u>3,009,336</u>	<u>2,005,677</u>	<u>4,638,527</u>	<u>4,811,808</u>	<u>7,647,863</u>	<u>6,817,485</u>
<i>General Revenues:</i>						
Property Taxes	1,201,336	1,052,310	0	0	1,201,336	1,052,310
Income Tax	3,123,588	3,167,126	0	0	3,123,588	3,167,126
Hotel Taxes	7,652	31,839	0	0	7,652	31,839
Grants and Entitlements not Restricted to Specific Programs	189,501	214,190	0	0	189,501	214,190
Interest	1,085	1,468	1,926	2,846	3,011	4,314
Unrestricted Contributions	12,900	0	0	0	12,900	0
Other	39,907	28,089	119,451	51,295	159,358	79,384
<i>Total General Revenues</i>	<u>4,575,969</u>	<u>4,495,022</u>	<u>121,377</u>	<u>54,141</u>	<u>4,697,346</u>	<u>4,549,163</u>
<i>Total Revenues</i>	<u>7,585,305</u>	<u>6,500,699</u>	<u>4,759,904</u>	<u>4,865,949</u>	<u>12,345,209</u>	<u>11,366,648</u>
<i>Program Expenses:</i>						
General Government	1,509,215	1,459,794	0	0	1,509,215	1,459,794
Security of Persons and Property	3,267,398	3,128,784	0	0	3,267,398	3,128,784
Transportation	1,418,212	1,188,682	0	0	1,418,212	1,188,682
Public Health and Welfare	210,450	192,029	0	0	210,450	192,029
Leisure Time Activities Community and Economic Development	142,194	124,647	0	0	142,194	124,647
Interest and Fiscal Charges	478,669	334,869	0	0	478,669	334,869
Business-Type Activities	77,707	37,725	0	0	77,707	37,725
	0	0	5,386,438	5,377,615	5,386,438	5,377,615
<i>Total Program Expenses</i>	<u>7,103,845</u>	<u>6,466,530</u>	<u>5,386,438</u>	<u>5,377,615</u>	<u>12,490,283</u>	<u>11,844,145</u>
<i>Excess Revenues over (under) Expenses</i>	481,460	34,169	(626,534)	(511,666)	(145,074)	(477,497)
Special Item	0	0	0	(1,597,522)	0	(1,597,522)
Transfers	(5,000)	(5,000)	5,000	5,000	0	0
<i>Change in Net Position</i>	<u>476,460</u>	<u>29,169</u>	<u>(621,534)</u>	<u>(2,104,188)</u>	<u>(145,074)</u>	<u>(2,075,019)</u>
<i>Net Position Beginning of Year</i>	<u>11,136,845</u>	<u>11,107,676</u>	<u>11,647,534</u>	<u>13,751,722</u>	<u>22,784,379</u>	<u>24,859,398</u>
<i>Net Position End of Year</i>	<u>\$11,613,305</u>	<u>\$11,136,845</u>	<u>\$11,026,000</u>	<u>\$11,647,534</u>	<u>\$22,639,305</u>	<u>\$22,784,379</u>

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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 capital grants.

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.

Operating and capital grants increased in 2014 due to an effort on the City's part to seek out additional sources of revenue to ensure the services and infrastructure demands of the City are maintained.

Security of Persons and Property, which includes police and fire services, represents the largest expense of the governmental activities. The police department is funded through the police special revenue fund. The department operates full time, 24 hours a day, 365 days a year with 18 officers and a full time police chief.

The fire department employs 12 full time employees, including the fire chief. The City is committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement on a regular basis of worn equipment. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education and investigation.

Another major expense of the City in 2014 was transportation, or the street maintenance and repair department. There was an increase from the prior year due to the City performing more maintenance and repair projects. The street department employs 7 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
	2014	2013	2014	2013
General Government	\$1,509,215	\$1,459,794	\$915,380	\$833,577
Security of Persons and Property	3,267,398	3,128,784	2,951,918	2,855,533
Transportation	1,418,212	1,188,682	(473,166)	266,640
Public Health and Welfare	210,450	192,029	104,109	105,024
Leisure Time Activities	142,194	124,647	101,819	84,666
Community and Economic Development	478,669	334,869	416,742	277,688
Interest and Fiscal Charges	77,707	37,725	77,707	37,725
Total	\$7,103,845	\$6,466,530	\$4,094,509	\$4,460,853

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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The City's Funds

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

Governmental Funds

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2014. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, police, fire and street levy special revenue funds and the Parkway/Walnut/5th/6th street improvements capital projects fund. The general fund had a decrease in fund balance as a result of expenditures and transfers out exceeding revenues. A portion of the transfers out are to the capital improvements fund to help pay off the principal and interest on the land property loan. The police and fire special revenue funds had increases in fund balance as expenditures remained consistent with the prior year and revenues plus other financing sources continued to outpace expenditures. The street levy fund had an increase in fund balance due to a full year of collections on the property tax.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer and incinerator. The largest sources of operating revenue for these funds in 2014 were charges for services. In the water fund, increased operating expenditures continued to exceed revenues resulting in a decrease in net position. The sewer and incinerator funds experienced a decrease in charges for services revenue resulting in a decrease to net position.

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, actual revenues were higher than the final budgeted revenues due to higher than estimated income taxes. There was a decrease in actual expenditures made compared to the final budget. This was due to a decrease in general government expenditures for various department costs as a result of the City restricting spending.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows the current balances of capital assets compared to the prior year.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,820,262	\$1,820,262	\$25,771	\$25,771	\$1,846,033	\$1,846,033
Construction in Progress	0	26,394	0	341,138	0	367,532
Buildings and Improvements	159,314	165,701	1,791,307	1,212,295	1,950,621	1,377,996
Improvements other than Buildings	56,590	65,829	0	0	56,590	65,829
Machinery and Equipment	1,010,389	1,168,864	815,174	794,988	1,825,563	1,963,852
Infrastructure	8,095,359	7,076,518	4,933,511	5,110,348	13,028,870	12,186,866
Water Lines	0	0	852,981	348,373	852,981	348,373
Sewer Lines	0	0	572,826	397,942	572,826	397,942
Totals	\$11,141,914	\$10,323,568	\$8,991,570	\$8,230,855	\$20,133,484	\$18,554,423

Total governmental capital assets increased due to the purchase of equipment and vehicles and the construction of various road improvements within the City. This increase was partially offset by annual depreciation. Total business-type capital assets increased due to the completion of building and improvement projects, the purchase of machinery and equipment as well as water and sewer line projects. This increase was partially offset by annual depreciation. For additional information see Note 10 to the basic financial statements.

Debt

At December 31, 2014, outstanding debt is comprised of installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, State Infrastructure Bank (SIB) loans, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Tax Anticipation Note	\$0	\$96,797	\$0	\$0	\$0	\$96,797
Installment Loans	277,306	58,156	151,418	276,713	428,724	334,869
OPWC Loans	288,185	321,527	25,580	36,343	313,765	357,870
OWDA Loans	0	0	3,080,296	2,961,257	3,080,296	2,961,257
SIB Loans	451,102	590,276	0	0	451,102	590,276
Land Property Loan	0	0	0	0	0	0
Capital Leases	453,839	592,180	127,088	98,615	580,927	690,795
Police and Fire Pension	743,666	766,124	0	0	743,666	766,124
Totals	\$2,214,098	\$2,425,060	\$3,384,382	\$3,372,928	\$5,598,480	\$5,797,988

The loans in governmental activities are to finance various improvement projects and equipment purchases and are paid from debt service fund, the permissive tax special revenue fund and the SAMM roadway improvement, street capital improvement and capital improvements capital projects funds. The loans in the business-type activities are for various water and sewer improvement projects and equipment purchases, which are being paid from those funds.

The capital leases are for the lease-purchase of four copiers, police interceptor vehicles, police cruisers, a K-9 police cruiser, a street department vehicle, a street sweeper, a fire department vehicle, a digital radio system, light fixtures, a backhoe, a trash compactor and a rear load packer incinerator. The police and fire pension liability is being paid from the police and fire special revenue funds.

For additional information see Notes 14 and 15 to the basic financial statements.

Current Financial Related Activities

The City continues to strive to provide the services its citizen's desire while maintaining costs. This is a challenge the City's administration deals with. As a result, the City has a police levy up for approval in the November election. The City is also continuing to upgrade its capital assets and infrastructure in an effort to make improvements when possible.

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, Kim Woomer at 126 West 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at kimwoomer2@comcast.net.

City of East Liverpool, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,394,798	\$5,063,581	\$6,458,379
Materials and Supplies Inventory	35,370	45,720	81,090
Accounts Receivable	175,838	713,629	889,467
Intergovernmental Receivable	566,132	0	566,132
Prepaid Items	84,454	37,936	122,390
Income Taxes Receivable	661,128	0	661,128
Property Taxes Receivable	1,681,816	0	1,681,816
Hotel Taxes Receivable	1,936	0	1,936
Loans Receivable	53,437	0	53,437
Nondepreciable Capital Assets	1,820,262	25,771	1,846,033
Depreciable Capital Assets, Net	9,321,652	8,965,799	18,287,451
<i>Total Assets</i>	<u>15,796,823</u>	<u>14,852,436</u>	<u>30,649,259</u>
Liabilities			
Accounts Payable	51,328	60,345	111,673
Contracts Payable	0	19,650	19,650
Accrued Wages	105,174	50,145	155,319
Intergovernmental Payable	235,486	106,802	342,288
Accrued Interest Payable	17,445	49,327	66,772
Vacation Benefits Payable	228,552	103,826	332,378
Claims Payable	20,762	0	20,762
Long-Term Liabilities:			
Due Within One Year	444,785	329,967	774,752
Due In More Than One Year	2,049,096	3,106,374	5,155,470
<i>Total Liabilities</i>	<u>3,152,628</u>	<u>3,826,436</u>	<u>6,979,064</u>
Deferred Inflows of Resources			
Property Taxes	1,030,890	0	1,030,890
Net Position			
Net Investment in Capital Assets	9,671,482	5,607,188	15,278,670
Restricted for:			
Capital Projects	296,542	0	296,542
Debt Service	64,860	0	64,860
Street Maintenance and Repair	453,887	0	453,887
Community Development	146,083	0	146,083
Other Purposes	630,677	0	630,677
Unclaimed Monies	1,506	0	1,506
Unrestricted	348,268	5,418,812	5,767,080
<i>Total Net Position</i>	<u>\$11,613,305</u>	<u>\$11,026,000</u>	<u>\$22,639,305</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	\$1,509,215	\$593,595	\$240	\$0
Security of Persons and Property	3,267,398	146,242	169,238	0
Transportation	1,418,212	7,080	765,220	1,119,078
Public Health and Welfare	210,450	66,161	40,180	0
Leisure Time Activities	142,194	40,375	0	0
Community and Economic Development	478,669	35,562	26,365	0
Interest and Fiscal Charges	77,707	0	0	0
<i>Total Governmental Activities</i>	<u>7,103,845</u>	<u>889,015</u>	<u>1,001,243</u>	<u>1,119,078</u>
Business-Type Activities:				
Water	3,252,799	2,372,367	21,174	0
Sewer	1,114,821	1,259,390	12,390	0
Incinerator	975,136	936,147	5,974	0
Other Enterprise Funds	43,682	30,409	676	0
<i>Total Business-Type Activities</i>	<u>5,386,438</u>	<u>4,598,313</u>	<u>40,214</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$12,490,283</u>	<u>\$5,487,328</u>	<u>\$1,041,457</u>	<u>\$1,119,078</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Fire Department
- Police Department
- Street Maintenance and Repair
- General Obligation Bond Retirement

Income Tax Levied for:

- General Purposes
- Capital Improvements

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Unrestricted Contributions

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$915,380)	\$0	(\$915,380)
(2,951,918)	0	(2,951,918)
473,166	0	473,166
(104,109)	0	(104,109)
(101,819)	0	(101,819)
(416,742)	0	(416,742)
(77,707)	0	(77,707)
<u>(4,094,509)</u>	<u>0</u>	<u>(4,094,509)</u>
0	(859,258)	(859,258)
0	156,959	156,959
0	(33,015)	(33,015)
0	(12,597)	(12,597)
<u>0</u>	<u>(747,911)</u>	<u>(747,911)</u>
<u>(4,094,509)</u>	<u>(747,911)</u>	<u>(4,842,420)</u>
112,287	0	112,287
444,528	0	444,528
38,777	0	38,777
549,600	0	549,600
56,144	0	56,144
2,891,060	0	2,891,060
232,528	0	232,528
7,652	0	7,652
189,501	0	189,501
1,085	1,926	3,011
12,900	0	12,900
39,907	119,451	159,358
<u>4,575,969</u>	<u>121,377</u>	<u>4,697,346</u>
<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<u>4,570,969</u>	<u>126,377</u>	<u>4,697,346</u>
476,460	(621,534)	(145,074)
<u>11,136,845</u>	<u>11,647,534</u>	<u>22,784,379</u>
<u>\$11,613,305</u>	<u>\$11,026,000</u>	<u>\$22,639,305</u>

City of East Liverpool, Ohio

*Balance Sheet
Governmental Funds
December 31, 2014*

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Street Levy</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$341,606	\$81,403	\$55,159	\$129,085
Materials and Supplies Inventory	0	0	0	0
Accounts Receivable	175,838	0	0	0
Intergovernmental Receivable	75,078	3,577	46,879	31,589
Prepaid Items	29,578	21,073	16,080	0
Income Taxes Receivable	611,543	0	0	0
Property Taxes Receivable	200,439	46,029	759,949	514,945
Hotel Taxes Receivable	1,452	0	0	0
Loans Receivable	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>1,506</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$1,437,040</u>	<u>\$152,082</u>	<u>\$878,067</u>	<u>\$675,619</u>
Liabilities				
Accounts Payable	\$26,824	\$7,483	\$3,663	\$0
Accrued Wages	28,783	38,367	26,304	0
Intergovernmental Payable	<u>74,117</u>	<u>82,097</u>	<u>54,277</u>	<u>0</u>
<i>Total Liabilities</i>	<u>129,724</u>	<u>127,947</u>	<u>84,244</u>	<u>0</u>
Deferred Inflows of Resources				
Property Taxes	121,254	30,438	464,264	317,828
Unavailable Revenue	<u>540,235</u>	<u>13,407</u>	<u>258,216</u>	<u>172,623</u>
<i>Total Deferred Inflows of Resources</i>	<u>661,489</u>	<u>43,845</u>	<u>722,480</u>	<u>490,451</u>
Fund Balances				
Nonspendable	31,084	21,073	16,080	0
Restricted	0	0	55,263	185,168
Committed	0	0	0	0
Assigned	224,557	0	0	0
Unassigned (Deficit)	<u>390,186</u>	<u>(40,783)</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances (Deficit)</i>	<u>645,827</u>	<u>(19,710)</u>	<u>71,343</u>	<u>185,168</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,437,040</u>	<u>\$152,082</u>	<u>\$878,067</u>	<u>\$675,619</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$1,850,351
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,141,914
\$712,304	\$1,319,557		
35,370	35,370		
0	175,838		
409,009	566,132		
17,723	84,454		
49,585	661,128		
160,454	1,681,816		
484	1,936		
53,437	53,437		
0	1,506		
\$1,438,366	\$4,581,174		
		Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
		Delinquent Property Taxes	465,419
		Income Taxes	306,523
		Intergovernmental	385,262
		Fees, Licenses and Permits	150,741
		Total	1,307,945
		An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	52,973
\$13,358	\$51,328		
11,720	105,174		
24,995	235,486		
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(17,445)
50,073	391,988		
		Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(228,552)
97,106	1,030,890		
323,464	1,307,945		
		Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
420,570	2,338,835		
		Installment Loans	(277,306)
		OPWC Loans	(288,185)
		SIB Loans	(451,102)
53,093	121,330	Capital Leases	(453,839)
900,601	1,141,032	Compensated Absences	(279,783)
14,029	14,029	Police and Fire Pension	(743,666)
0	224,557		
0	349,403		
		Total	(2,493,881)
967,723	1,850,351	<i>Net Position of Governmental Activities</i>	\$11,613,305
\$1,438,366	\$4,581,174		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Police	Fire	Street Levy	Parkway/Walnut/ 5th/6th Street Improvements
Revenues					
Property Taxes	\$163,550	\$38,866	\$622,578	\$408,566	\$0
Income Taxes	2,893,226	0	0	0	0
Hotel Taxes	5,743	0	0	0	0
Special Assessments	0	0	0	0	0
Intergovernmental	156,921	46,013	110,308	63,178	1,060,965
Interest	1,047	0	0	0	0
Fees, Licenses and Permits	469,165	0	0	0	0
Fines and Forfeitures	117,580	22,396	0	0	0
Charges for Services	8,317	106,556	0	0	0
Contributions and Donations	12,900	0	0	0	0
Other	1,603	7,407	35	0	0
<i>Total Revenues</i>	<u>3,830,052</u>	<u>221,238</u>	<u>732,921</u>	<u>471,744</u>	<u>1,060,965</u>
Expenditures					
Current:					
General Government	1,361,143	0	0	0	0
Security of Persons and Property	0	1,892,998	1,189,557	0	0
Transportation	0	0	0	203,728	0
Public Health and Welfare	159,532	0	0	0	0
Leisure Time Activities	119,475	0	0	0	0
Community and Economic Development	89,373	0	0	0	0
Capital Outlay	0	0	0	265,242	1,060,965
Debt Service:					
Principal Retirement	5,753	9,708	14,782	26,519	0
Interest and Fiscal Charges	1,079	11,254	21,276	6,174	0
<i>Total Expenditures</i>	<u>1,736,355</u>	<u>1,913,960</u>	<u>1,225,615</u>	<u>501,663</u>	<u>1,060,965</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,093,697</u>	<u>(1,692,722)</u>	<u>(492,694)</u>	<u>(29,919)</u>	<u>0</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	0	0
Inception of Capital Lease	0	0	0	0	0
Installment Loans Issued	0	0	0	278,136	0
SIB Loans Issued	0	0	0	0	0
Transfers In	0	1,728,500	551,500	0	0
Transfers Out	(2,337,392)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,337,392)</u>	<u>1,728,500</u>	<u>551,500</u>	<u>278,136</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(243,695)	35,778	58,806	248,217	0
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>889,522</u>	<u>(55,488)</u>	<u>12,537</u>	<u>(63,049)</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$645,827</u>	<u>(\$19,710)</u>	<u>\$71,343</u>	<u>\$185,168</u>	<u>\$0</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, 2014*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$31,958
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
		Governmental funds report capital outlays as expenditures.	
		However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
		This is the amount by which capital outlay exceeded depreciation in the current period:	
\$130,278	\$1,363,838	Capital Asset Additions	1,453,495
232,703	3,125,929	Current Year Depreciation	<u>(628,129)</u>
1,909	7,652		
5,200	5,200		
1,179,752	2,617,137	Total	825,366
38	1,085		
19,330	488,495		
143,603	283,579		
5,360	120,233		
12,137	25,037		
30,862	39,907		
<u>1,761,172</u>	<u>8,078,092</u>		
		Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
			(7,020)
		Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
28,724	1,389,867	Delinquent Property Taxes	(162,502)
85,316	3,167,871	Income Taxes	(2,341)
705,186	908,914	Intergovernmental	(319,452)
49,592	209,124	Special Assessments	(5,200)
0	119,475	Fees, Licenses and Permits	<u>(3,292)</u>
386,658	476,031		
249,399	1,575,606	Total	(492,787)
426,856	483,618	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
41,498	81,281		483,618
<u>1,973,229</u>	<u>8,411,787</u>		
		In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	
(212,057)	(333,695)		3,574
		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:	
1,200	1,200	Vacation Benefits Payable	4,582
26,890	26,890	Compensated Absences	<u>(11,474)</u>
0	278,136		
64,427	64,427	Total	(6,892)
77,892	2,357,892		
(25,500)	(2,362,892)		
		Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:	
144,909	365,653	Inception of Capital Lease	(26,890)
(67,148)	31,958	Installment Loans Issued	(278,136)
		SIB Loans Issued	<u>(64,427)</u>
1,034,871	1,818,393	Total	(369,453)
<u>\$967,723</u>	<u>\$1,850,351</u>		
		The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	
			<u>8,096</u>
		<i>Change in Net Position of Governmental Activities</i>	<u><u>\$476,460</u></u>

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$144,300	\$156,338	\$156,421	\$83
Income Taxes	2,704,030	2,807,776	2,935,064	127,288
Hotel Taxes	14,690	10,564	9,702	(862)
Intergovernmental	135,126	155,791	156,614	823
Interest	1,000	1,000	1,047	47
Fees, Licenses and Permits	512,507	470,523	458,039	(12,484)
Fines and Forfeitures	163,522	125,522	120,580	(4,942)
Charges for Services	7,000	7,000	8,317	1,317
Contributions and Donations	0	12,600	12,900	300
Other	968	968	1,603	635
<i>Total Revenues</i>	3,683,143	3,748,082	3,860,287	112,205
Expenditures				
Current:				
General Government	1,411,069	1,445,777	1,375,295	70,482
Public Health and Welfare	165,250	175,351	165,458	9,893
Leisure Time Activities	118,179	122,079	118,852	3,227
Community and Economic Development	96,384	94,955	88,387	6,568
Debt Service:				
Principal Retirement	4,425	4,425	5,753	(1,328)
Interest and Fiscal Charges	822	833	1,079	(246)
<i>Total Expenditures</i>	1,796,129	1,843,420	1,754,824	88,596
<i>Excess of Revenues Over (Under) Expenditures</i>	1,887,014	1,904,662	2,105,463	200,801
Other Financing Sources (Uses)				
Transfers Out	(2,430,356)	(2,440,356)	(2,337,892)	102,464
<i>Net Change in Fund Balance</i>	(543,342)	(535,694)	(232,429)	303,265
<i>Fund Balance Beginning of Year</i>	422,394	422,394	422,394	0
Prior Year Encumbrances Appropriated	124,257	124,257	124,257	0
<i>Fund Balance End of Year</i>	\$3,309	\$10,957	\$314,222	\$303,265

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$34,138	\$34,138	\$36,587	\$2,449
Intergovernmental	14,462	14,462	46,013	31,551
Fines and Forfeitures	19,845	19,845	22,216	2,371
Charges for Services	106,250	158,250	117,806	(40,444)
Other	0	750	7,407	6,657
<i>Total Revenues</i>	174,695	227,445	230,029	2,584
Expenditures				
Current:				
Security of Persons and Property	1,923,585	1,975,335	1,921,334	54,001
Debt Service:				
Principal Retirement	9,585	9,708	9,708	0
Interest and Fiscal Charges	11,377	11,254	11,254	0
<i>Total Expenditures</i>	1,944,547	1,996,297	1,942,296	54,001
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,769,852)	(1,768,852)	(1,712,267)	56,585
Other Financing Sources (Uses)				
Transfers In	1,752,000	1,752,000	1,728,500	(23,500)
<i>Net Change in Fund Balance</i>	(17,852)	(16,852)	16,233	33,085
<i>Fund Balance Beginning of Year</i>	22,796	22,796	22,796	0
Prior Year Encumbrances Appropriated	4,939	4,939	4,939	0
<i>Fund Balance End of Year</i>	\$9,883	\$10,883	\$43,968	\$33,085

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$540,130	\$540,130	\$575,098	\$34,968
Intergovernmental	92,870	92,870	110,308	17,438
Fees, Licenses and Permits	125	125	0	(125)
Contributions and Donations	500	500	0	(500)
Other	976	976	35	(941)
<i>Total Revenues</i>	<u>634,601</u>	<u>634,601</u>	<u>685,441</u>	<u>50,840</u>
Expenditures				
Current:				
Security of Persons and Property	1,232,411	1,232,411	1,194,739	37,672
Debt Service:				
Principal Retirement	14,782	14,782	14,782	0
Interest and Fiscal Charges	21,276	21,276	21,276	0
<i>Total Expenditures</i>	<u>1,268,469</u>	<u>1,268,469</u>	<u>1,230,797</u>	<u>37,672</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(633,868)	(633,868)	(545,356)	88,512
Other Financing Sources (Uses)				
Transfers In	630,000	630,000	551,500	(78,500)
<i>Net Change in Fund Balance</i>	(3,868)	(3,868)	6,144	10,012
<i>Fund Balance Beginning of Year</i>	20,284	20,284	20,284	0
Prior Year Encumbrances Appropriated	2,533	2,533	2,533	0
<i>Fund Balance End of Year</i>	<u>\$18,949</u>	<u>\$18,949</u>	<u>\$28,961</u>	<u>\$10,012</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
Street Levy Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$363,395	\$363,395	\$376,486	\$13,091
Intergovernmental	62,205	62,205	63,178	973
<i>Total Revenues</i>	425,600	425,600	439,664	14,064
Expenditures				
Current:				
Transportation	315,500	305,851	203,728	102,123
Capital Outlay	0	278,136	273,707	4,429
Debt Service:				
Principal Retirement	94,665	123,316	123,316	0
Interest and Fiscal Charges	2,132	7,110	7,110	0
<i>Total Expenditures</i>	412,297	714,413	607,861	106,552
<i>Excess of Revenues Over (Under) Expenditures</i>	13,303	(288,813)	(168,197)	120,616
Other Financing Sources (Uses)				
Installment Loans Issued	0	278,136	278,136	0
<i>Net Change in Fund Balance</i>	13,303	(10,677)	109,939	120,616
<i>Fund Balance Beginning of Year</i>	10,681	10,681	10,681	0
<i>Fund Balance End of Year</i>	\$23,984	\$4	\$120,620	\$120,616

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$4,120,982	\$737,054	\$190,886	\$14,659	\$5,063,581	\$73,735
Accounts Receivable	336,223	225,561	151,845	0	713,629	0
Materials and Supplies Inventory	44,450	1,270	0	0	45,720	0
Prepaid Items	15,368	15,369	7,199	0	37,936	0
<i>Total Current Assets</i>	<u>4,517,023</u>	<u>979,254</u>	<u>349,930</u>	<u>14,659</u>	<u>5,860,866</u>	<u>73,735</u>
<i>Non-Current Assets:</i>						
Nondepreciable Capital Assets	19,623	6,148	0	0	25,771	0
Depreciable Capital Assets, Net	7,790,620	726,663	428,024	20,492	8,965,799	0
<i>Total Non-Current Assets</i>	<u>7,810,243</u>	<u>732,811</u>	<u>428,024</u>	<u>20,492</u>	<u>8,991,570</u>	<u>0</u>
<i>Total Assets</i>	<u>12,327,266</u>	<u>1,712,065</u>	<u>777,954</u>	<u>35,151</u>	<u>14,852,436</u>	<u>73,735</u>
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	35,580	12,374	12,205	186	60,345	0
Contracts Payable	19,650	0	0	0	19,650	0
Accrued Wages	26,862	13,945	8,852	486	50,145	0
Intergovernmental Payable	59,291	29,330	16,729	1,452	106,802	0
Accrued Interest Payable	46,549	2,694	84	0	49,327	0
Vacation Benefits Payable	59,818	35,507	8,501	0	103,826	0
Installment Loans Payable	30,534	8,371	0	0	38,905	0
OPWC Loans Payable	4,263	0	0	0	4,263	0
OWDA Loans Payable	205,041	8,842	0	0	213,883	0
Capital Leases Payable	23,745	630	41,282	0	65,657	0
Compensated Absences Payable	4,059	3,005	195	0	7,259	0
Claims Payable	0	0	0	0	0	20,762
<i>Total Current Liabilities</i>	<u>515,392</u>	<u>114,698</u>	<u>87,848</u>	<u>2,124</u>	<u>720,062</u>	<u>20,762</u>
<i>Long-Term Liabilities (net of current portion):</i>						
Installment Loans Payable	99,712	12,801	0	0	112,513	0
OPWC Loans Payable	21,317	0	0	0	21,317	0
OWDA Loans Payable	2,680,667	185,746	0	0	2,866,413	0
Capital Leases Payable	24,350	0	37,081	0	61,431	0
Compensated Absences Payable	35,191	9,509	0	0	44,700	0
<i>Total Long-Term Liabilities</i>	<u>2,861,237</u>	<u>208,056</u>	<u>37,081</u>	<u>0</u>	<u>3,106,374</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,376,629</u>	<u>322,754</u>	<u>124,929</u>	<u>2,124</u>	<u>3,826,436</u>	<u>20,762</u>
Net Position						
Net Investment in Capital Assets	4,720,614	516,421	349,661	20,492	5,607,188	0
Unrestricted	4,230,023	872,890	303,364	12,535	5,418,812	52,973
<i>Total Net Position</i>	<u>\$8,950,637</u>	<u>\$1,389,311</u>	<u>\$653,025</u>	<u>\$33,027</u>	<u>\$11,026,000</u>	<u>\$52,973</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$2,372,367	\$1,259,390	\$936,147	\$30,409	\$4,598,313	\$216,723
Other	112,830	1,038	0	5,583	119,451	0
<i>Total Operating Revenues</i>	<u>2,485,197</u>	<u>1,260,428</u>	<u>936,147</u>	<u>35,992</u>	<u>4,717,764</u>	<u>216,723</u>
Operating Expenses						
Personal Services	1,406,685	694,037	527,922	31,355	2,659,999	0
Contractual Services	1,013,064	282,657	253,431	3,443	1,552,595	4,715
Materials and Supplies	385,651	76,844	98,069	5,926	566,490	0
Depreciation	346,351	44,967	85,965	1,779	479,062	0
Claims	0	0	0	0	0	203,912
Other	3,288	8,702	6,618	1,179	19,787	0
<i>Total Operating Expenses</i>	<u>3,155,039</u>	<u>1,107,207</u>	<u>972,005</u>	<u>43,682</u>	<u>5,277,933</u>	<u>208,627</u>
<i>Operating Income (Loss)</i>	<u>(669,842)</u>	<u>153,221</u>	<u>(35,858)</u>	<u>(7,690)</u>	<u>(560,169)</u>	<u>8,096</u>
Non-Operating Revenues (Expenses)						
Operating Grants	21,174	12,390	5,974	676	40,214	0
Interest	1,926	0	0	0	1,926	0
Interest and Fiscal Charges	(97,760)	(7,614)	(3,131)	0	(108,505)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(74,660)</u>	<u>4,776</u>	<u>2,843</u>	<u>676</u>	<u>(66,365)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(744,502)</u>	<u>157,997</u>	<u>(33,015)</u>	<u>(7,014)</u>	<u>(626,534)</u>	<u>8,096</u>
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Change in Net Position</i>	<u>(562,585)</u>	<u>(13,620)</u>	<u>(43,315)</u>	<u>(2,014)</u>	<u>(621,534)</u>	<u>8,096</u>
<i>Net Position Beginning of Year</i>	<u>9,513,222</u>	<u>1,402,931</u>	<u>696,340</u>	<u>35,041</u>	<u>11,647,534</u>	<u>44,877</u>
<i>Net Position End of Year</i>	<u>\$8,950,637</u>	<u>\$1,389,311</u>	<u>\$653,025</u>	<u>\$33,027</u>	<u>\$11,026,000</u>	<u>\$52,973</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, 2014

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,412,874	\$1,260,575	\$934,561	\$30,409	\$4,638,419	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	216,723
Other Cash Receipts	112,830	1,038	0	5,583	119,451	0
Cash Payments to Employees for Services	(1,417,382)	(685,402)	(530,191)	(31,270)	(2,664,245)	0
Cash Payments for Goods and Services	(1,466,273)	(369,176)	(353,435)	(9,183)	(2,198,067)	(5,105)
Cash Payments for Claims	0	0	0	0	0	(198,974)
Other Cash Payments	(3,692)	(8,702)	(6,618)	(1,179)	(20,191)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(361,643)</u>	<u>198,333</u>	<u>44,317</u>	<u>(5,640)</u>	<u>(124,633)</u>	<u>12,644</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants	21,174	12,390	5,974	676	40,214	0
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>203,091</u>	<u>(159,227)</u>	<u>(4,326)</u>	<u>5,676</u>	<u>45,214</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from Installment Loans	100,000	0	0	0	100,000	0
Proceeds from OWDA Loans	311,428	65,184	0	0	376,612	0
Principal Paid on Installment Loans	(217,436)	(7,859)	0	0	(225,295)	0
Interest Paid on Installment Loans	(2,727)	(1,614)	0	0	(4,341)	0
Principal Paid on OWDA Loans	(253,237)	(4,336)	0	0	(257,573)	0
Interest Paid on OWDA Loans	(98,091)	(2,919)	0	0	(101,010)	0
Principal Paid on OPWC Loan	(10,763)	0	0	0	(10,763)	0
Principal Paid on Capital Lease	(26,082)	(4,281)	(41,114)	0	(71,477)	0
Interest Paid on Capital Lease	(2,253)	(427)	(3,148)	0	(5,828)	0
Payments for Capital Acquisitions	(1,074,364)	(65,463)	0	0	(1,139,827)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,273,525)</u>	<u>(21,715)</u>	<u>(44,262)</u>	<u>0</u>	<u>(1,339,502)</u>	<u>0</u>
Cash Flows from Investing Activities						
Interest on Investments	1,926	0	0	0	1,926	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(1,430,151)</u>	<u>17,391</u>	<u>(4,271)</u>	<u>36</u>	<u>(1,416,995)</u>	<u>12,644</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>5,551,133</u>	<u>719,663</u>	<u>195,157</u>	<u>14,623</u>	<u>6,480,576</u>	<u>61,091</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$4,120,982</u>	<u>\$737,054</u>	<u>\$190,886</u>	<u>\$14,659</u>	<u>\$5,063,581</u>	<u>\$73,735</u>

(continued)

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2014

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to						
Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	(\$669,842)	\$153,221	(\$35,858)	(\$7,690)	(\$560,169)	\$8,096
Adjustments:						
Depreciation	346,351	44,967	85,965	1,779	479,062	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	40,507	1,185	(1,586)	0	40,106	0
Prepaid Items	396	396	201	0	993	0
Materials and Supplies Inventory	(22,173)	208	0	0	(21,965)	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	(9,611)	(5,079)	(2,136)	186	(16,640)	(390)
Contracts Payable	(30,350)	0	0	0	(30,350)	0
Accrued Wages	2,144	1,632	3,052	94	6,922	0
Accrued Vacation Leave Payable	(5,795)	1,537	(2,730)	0	(6,988)	0
Matured Compensated Absences Payable	(6,668)	0	0	0	(6,668)	0
Compensated Absences Payable	(6,212)	8,228	(2,952)	0	(936)	0
Intergovernmental Payable	(390)	(7,962)	361	(9)	(8,000)	0
Claims Payable	0	0	0	0	0	4,938
<i>Total Adjustments</i>	<u>308,199</u>	<u>45,112</u>	<u>80,175</u>	<u>2,050</u>	<u>435,536</u>	<u>4,548</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$361,643)</u>	<u>\$198,333</u>	<u>\$44,317</u>	<u>(\$5,640)</u>	<u>(\$124,633)</u>	<u>\$12,644</u>

Noncash Capital Financing Activities

During 2014, the Incinerator fund issued \$99,950 for capital lease purchases.

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,340
Cash and Cash Equivalents in Segregated Accounts	<u>10,114</u>
<i>Total Assets</i>	<u><u>\$30,454</u></u>
 Liabilities	
Undistributed Monies	<u><u>\$30,454</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 1 – Description of the City and Reporting Entity

The City of East Liverpool, Ohio, (the City) is a body politic, incorporated as a municipal corporation under the laws of the State of Ohio established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City is located in Columbiana County in Eastern Ohio on the Ohio River. The City is the second 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 18 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 more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Government-wide Financial Statements The statement of net position 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.

The statement of net position 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

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

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

Police Fund The police fund accounts for and reports restricted property taxes levied for the operation of its police department.

Fire Fund The fire fund accounts for and reports restricted property taxes levied for the operation of its fire department.

Street Levy Fund The street levy special revenue fund accounts for and reports restricted property taxes levied for the maintenance, repair, reconstruction and improvement of roads within the City.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Parkway/Walnut/5th/6th Street Improvements Fund The Parkway/Walnut/5th/6th Street Improvements fund accounts for and reports intergovernmental revenues restricted for street improvements.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. 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.

Other enterprise funds include the swimming pool fund which accounts for concession sales and user charges and the off street parking fund which accounts for monies from parking tickets, permits and meter collections.

Internal Service Funds Internal service funds account for and report the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is a self-insurance program fund that accounts for the deductible cost of medical insurance for City employees.

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

Measurement Focus

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary 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 position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, 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 6) 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fees, licenses and permits, intergovernmental monies and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds 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".

The City has segregated bank accounts for monies held separate from the City's central bank account. These non-interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City Treasury.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$1,047, which includes \$888 assigned from other City funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

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 position 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 position 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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity Estimated Lives</u>
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
Water and Sewer Lines	N/A	50 years

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

Compensated Absences

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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.

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

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

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2015's budget and for recreation.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for drug law enforcement, police law enforcement, enforcement and education programs and fire prevention.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are charges for services for water, sewer, incinerator, swimming pool, parking services and the self-insurance program. 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Interfund Activity

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

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

Estimates

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

Budgetary Process

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 3 – Fund Deficits

At December 31, 2014, the police special revenue fund had a deficit fund balance of \$19,710. The deficit in the special revenue fund is caused by the application of generally accepted accounting principles to this fund. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are:

1. Revenues 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 restricted, committed, or assigned of fund balance (GAAP).
4. Unreported cash represents amounts received and/or spent but not included as revenue and/or expenditure on the budgetary statements, but is reported on the operating statements prepared using GAAP).
5. Budgetary revenues and expenditures of the playground fund are reclassified to the general fund for GAAP reporting.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	(\$243,695)	\$35,778	\$58,806	\$248,217
Adjustment for Revenue Accruals	38,424	8,791	(47,480)	(32,080)
Beginning Unrecorded Cash	5,367	0	0	0
Ending Unrecorded Cash	(14,847)	0	0	0
Adjustment for Expenditure Accruals	(5,570)	9,099	21,016	(97,733)
Perspective Difference:				
Playground Fund	(500)	0	0	0
Adjustment for Encumbrances	(11,608)	(37,435)	(26,198)	(8,465)
Budget Basis	<u>(\$232,429)</u>	<u>\$16,233</u>	<u>\$6,144</u>	<u>\$109,939</u>

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain commercial paper notes and bankers' acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to invest any monies not required to be used for a period of six months or more in the following:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,358,727 of the City's bank balance of \$6,608,727 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 6 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property taxes, accounts, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes and loans 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.

Loans receivable presented in the other governmental funds represents a low interest loan for development projects and home improvements granted to eligible City residents under Federal Grant programs. The loan bears interest at an annual rate of five percent. The loan is to be repaid over fifteen years. Loans expected to be collected in more than one year are \$44,983.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$17.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Estate:	
Residential/Agricultural	\$56,780,130
Commercial/Industrial	22,099,290
Minerals	70
Public Utility Personal Property	<u>8,644,430</u>
Total	<u><u>\$87,523,920</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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.

Intergovernmental Receivable

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

<u>Governmental Activities</u>	<u>Amount</u>
Vehicle Registration	\$131,499
Gasoline Tax	113,225
Homestead and Rollback	103,501
Permissive Tax	82,805
Local Government	56,492
Cents Per Gallon	55,855
Municipal Court	13,213
Personal Property Tax Reimbursement	8,229
Drug Enforcement Agency	1,313
Total Intergovernmental Receivables	<u><u>\$566,132</u></u>

Note 7 - 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 2014, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2014, the City purchased the following insurance coverage:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Coverage	Limit
Building and Contents	\$9,984,169
Inland Marine	1,245,016
Automobile Liability	1,000,000
Crime Insurance	30,000
Employee Dishonesty	50,000
Excess Liability	5,000,000
Wrongful Acts Liability	1,000,000
Employee Benefits Liability:	
Per Employee	1,000,000
Aggregate	3,000,000
General Liability:	
Per Occurrence	1,000,000
Aggregate	3,000,000
Law Enforcement Liability	1,000,000

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.

Employee Insurance Benefits

In mid-2012, the City elected to cover the deductible cost of medical insurance through a self-insured program. The maintenance of these benefits is accounted for in the internal service fund. The deductible amount for medical in 2014 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$20,762 have been accrued as a liability based on a review of January and February 2015 billings provided by the City Auditor's Office.

The claims liability of \$20,762 reported in the internal service fund at December 31, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount for 2013 and 2014 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2013	\$33,463	\$179,997	\$197,636	\$15,824
2014	15,824	203,912	198,974	20,762

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 8 – Contingencies

Grants

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

Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

Note 9 – Other Employee Benefits

Compensated Absences

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

Insurance

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

The City contracts with Health America 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.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 10 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$0	\$0	\$1,820,262
Construction in Progress	26,394	1,353,681	(1,380,075)	0
<i>Total Capital Assets, not being depreciated</i>	<u>1,846,656</u>	<u>1,353,681</u>	<u>(1,380,075)</u>	<u>1,820,262</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	0	0	439,315
Improvements other than Buildings	306,791	0	0	306,791
Machinery and Equipment	4,029,021	41,890	(63,132)	4,007,779
Infrastructure	9,043,458	1,437,999	0	10,481,457
<i>Total Capital Assets, being depreciated</i>	<u>13,818,585</u>	<u>1,479,889</u>	<u>(63,132)</u>	<u>15,235,342</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(273,614)	(6,387)	0	(280,001)
Improvements other than Buildings	(240,962)	(9,239)	0	(250,201)
Machinery and Equipment	(2,860,157)	(193,345)	56,112	(2,997,390)
Infrastructure	(1,966,940)	(419,158)	0	(2,386,098)
<i>Total Accumulated Depreciation</i>	<u>(5,341,673)</u>	<u>(628,129) *</u>	<u>56,112</u>	<u>(5,913,690)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>8,476,912</u>	<u>851,760</u>	<u>(7,020)</u>	<u>9,321,652</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$10,323,568</u>	<u>\$2,205,441</u>	<u>(\$1,387,095)</u>	<u>\$11,141,914</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$12,493
Security of Persons and Property	116,527
Transportation	475,667
Public Health and Welfare	1,210
Leisure Time Activities	19,275
Community and Economic Development	2,957
Total Depreciation Expense	<u>\$628,129</u>

City of East Liverpool, Ohio
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Capital asset activity for business-type activities for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	341,138	377,432	(718,570)	0
<i>Total Capital Assets, not being depreciated</i>	<u>366,909</u>	<u>377,432</u>	<u>(718,570)</u>	<u>25,771</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,111,546	654,240	0	4,765,786
Machinery and Equipment	3,982,519	208,105	0	4,190,624
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	1,355,262	520,587	0	1,875,849
Sewer Lines	2,675,379	197,983	0	2,873,362
<i>Total Capital Assets, being depreciated</i>	<u>21,257,199</u>	<u>1,580,915</u>	<u>0</u>	<u>22,838,114</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,899,251)	(75,228)	0	(2,974,479)
Machinery and Equipment	(3,187,531)	(187,919)	0	(3,375,450)
Infrastructure	(4,022,145)	(176,837)	0	(4,198,982)
Water Lines	(1,006,889)	(15,979)	0	(1,022,868)
Sewer Lines	(2,277,437)	(23,099)	0	(2,300,536)
<i>Total Accumulated Depreciation</i>	<u>(13,393,253)</u>	<u>(479,062) *</u>	<u>0</u>	<u>(13,872,315)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>7,863,946</u>	<u>1,101,853</u>	<u>0</u>	<u>8,965,799</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$8,230,855</u>	<u>\$1,479,285</u>	<u>(\$718,570)</u>	<u>\$8,991,570</u>

* Depreciation expense was charged to business-type activities as follows:

Water	\$346,351
Sewer	44,967
Incinerator	85,965
Off Street Parking	1,649
Swimming Pool	130
Total	<u>\$479,062</u>

Note 11 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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-

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sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013 and 2012 was \$413,432, \$408,749 and \$319,900, respectively. For 2014, 92.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$4,495 made by the City and \$3,211 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$202,988 and \$189,512

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for the year ended December 31, 2014, \$152,810 and \$136,234 for the year ended December 31, 2013, and \$123,157 and \$117,570 for the year ended December 31, 2012. For 2014, 92.91 percent has been contributed for police and 93.17 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2014, the unfunded liability of the City was \$743,666 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 12 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment 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 mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

City of East Liverpool, Ohio
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The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or 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 postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013 and 2012 was \$68,905, \$31,442 and \$127,960, respectively. For 2014, 92.67 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

Ohio Police and Firemen Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was 0.5 percent of

City of East Liverpool, Ohio
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covered payroll. The amount of employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$5,342 and \$4,032 for the year ended December 31, 2014, \$34,795 and \$24,172 for the year ended December 31, 2013, and \$65,201 and \$46,006 for the year ended December 31, 2012. For 2014, 92.91 percent has been contributed for police and 93.17 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 13 - Conduit Debt Obligations

From time to time, the City has issued Hospital Facilities Revenue Bonds to provide funding for the construction of the East Liverpool hospital facilities and the acquisition and installation of medical equipment deemed to be in the public interest. The bonds are secured by trust indentures and an irrevocable letter of credit between the hospital and the bank. Upon repayment of the bonds, ownership of the acquired facilities transfers to the hospital served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014, there were two series of Hospital Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$24,040,000 and an original issue amount of \$33,990,000.

Note 14 – Note Debt

A summary of note transactions for the year ended December 31, 2014 follows:

	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Governmental Activities				
2013 - 2.90% Tax Anticipation Note	\$96,797	\$0	(\$96,797)	\$0

The City issued a \$96,797 tax anticipation note for the purpose of paying current expenses for street maintenance and repair. The tax anticipation note was paid from the street levy special revenue fund with property tax revenue. The note was backed by the full faith and credit of the City of East Liverpool and has been retired in full

City of East Liverpool, Ohio
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Note 15 - Long-Term Obligations

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

	Balance 12/31/2013	Issued	Retired	Balance 12/31/2014	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
2007 Aerial Fire Truck - 5.95%	\$33,510	\$0	(\$7,821)	\$25,689	\$8,306
2009 Snow Removal - 4.80%	10,263	0	(10,263)	0	0
2009 Cruisers - 4.80%	5,748	0	(5,748)	0	0
2009 Air Compressor - 4.80%	8,635	0	(8,635)	0	0
2014 Street Paving - 3.65%	0	278,136	(26,519)	251,617	54,619
<i>Total Installment Loans</i>	<u>58,156</u>	<u>278,136</u>	<u>(58,986)</u>	<u>277,306</u>	<u>62,925</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	226,083	0	(23,798)	202,285	23,798
2012 St. Clair Avenue Improvement Loan - 0.00%	95,444	0	(9,544)	85,900	9,544
<i>Total Ohio Public Works Commission Loans</i>	<u>321,527</u>	<u>0</u>	<u>(33,342)</u>	<u>288,185</u>	<u>33,342</u>
State Infrastructure Bank Loans:					
2004 St. Clair Paving Loan - 3.00%	153,617	0	(153,617)	0	0
2011 Road Improvements Loan - 3.00%	436,659	64,427	(49,984)	451,102	58,832
<i>Total State Infrastructure Bank Loans</i>	<u>590,276</u>	<u>64,427</u>	<u>(203,601)</u>	<u>451,102</u>	<u>58,832</u>
Capital Leases:					
2009 Copier - 6.28%	652	0	(652)	0	0
2011 Copier - 6.27%	4,196	0	(2,032)	2,164	2,164
2011 Copier - 6.10%	8,610	0	(2,697)	5,913	2,866
2012 Copier - 7.62%	9,028	0	(2,404)	6,624	2,594
2012 Police Interceptor - 5.65%	33,836	0	(22,238)	11,598	11,598
2012 Street Truck - 6.20%	35,561	0	(11,148)	24,413	11,840
2012 Fire Truck - 6.65%	16,080	0	(16,080)	0	0
2013 Street Sweeper - 2.95%	210,322	0	(29,811)	180,511	30,696
2013 K-9 Police Cruiser - 6.50%	21,317	0	(10,323)	10,994	10,994
2013 Police Cruisers - 6.00%	41,840	0	(20,311)	21,529	21,529
2013 Digital Radio System - 3.93%	205,531	0	(38,002)	167,529	39,494
2013 Light Fixtures - 12.00%	5,207	0	0	5,207	5,207
2014 Police Interceptor - 6.50%	0	26,890	(9,533)	17,357	8,405
<i>Total Capital Leases</i>	<u>592,180</u>	<u>26,890</u>	<u>(165,231)</u>	<u>453,839</u>	<u>147,387</u>
Compensated Absences	268,309	100,442	(88,968)	279,783	118,876
Police and Fire Pension	766,124	0	(22,458)	743,666	23,423
Total Governmental Activities	<u><u>\$2,596,572</u></u>	<u><u>\$469,895</u></u>	<u><u>(\$572,586)</u></u>	<u><u>\$2,493,881</u></u>	<u><u>\$444,785</u></u>

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	Balance 12/31/2013	Issued	Retired	Balance 12/31/2014	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$41,473	\$0	(\$11,227)	\$30,246	\$11,959
2007 Anderson Boulevard Sewer Loan - 6.25%	29,031	0	(7,859)	21,172	8,371
2009 Bradshaw Water Loan - 5.81%	206,209	0	(206,209)	0	0
2014 Painting Upflow Water Loan - 3.65%	0	100,000	0	100,000	18,575
<i>Total Installment Loans</i>	<u>276,713</u>	<u>100,000</u>	<u>(225,295)</u>	<u>151,418</u>	<u>38,905</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue Water Tank Water Loan - 0.00%	6,500	0	(6,500)	0	0
2001 Henry Avenue Waterline Water Loan - 0.00%	29,843	0	(4,263)	25,580	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>36,343</u>	<u>0</u>	<u>(10,763)</u>	<u>25,580</u>	<u>4,263</u>
Ohio Water Development Authority Loans:					
1994 Project #3099 Water Loan - 5.94%	52,572	0	(52,572)	0	0
1996 Project #3100 Water Loan - 5.94%	2,035	0	(2,035)	0	0
2004 Project #4181 Water Loan - 3.35%	2,563,751	0	(176,802)	2,386,949	182,774
2013 Project #6489 Water Loan - 2.00%	209,159	311,428	(21,828)	498,759	22,267
2013 Project #6488 Sewer Loan - 2.59%	133,740	65,184	(4,336)	194,588	8,842
<i>Total Ohio Water Development Authority Loans</i>	<u>2,961,257</u>	<u>376,612</u>	<u>(257,573)</u>	<u>3,080,296</u>	<u>213,883</u>
Capital Leases:					
2008 Garbage Trucks Incinerator Lease - 4.07%	0	0	0	0	0
2010 Trash Compactor Incinerator Lease - 6.19%	19,527	0	(11,474)	8,053	8,053
2013 Backhoe Water Lease - 2.55%	71,250	0	(23,155)	48,095	23,745
2013 Light Fixtures Water Lease - 12.00%	2,927	0	(2,927)	0	0
2013 Light Fixtures Sewer Lease - 12.00%	4,911	0	(4,281)	630	630
2014 Rear Load Packer Incinerator Lease - 2.85%	0	99,950	(29,640)	70,310	33,229
<i>Total Capital Leases</i>	<u>98,615</u>	<u>99,950</u>	<u>(71,477)</u>	<u>127,088</u>	<u>65,657</u>
Compensated Absences	52,895	5,625	(6,561)	51,959	7,259
Total Business-Type Activities	<u><u>\$3,425,823</u></u>	<u><u>\$582,187</u></u>	<u><u>(\$571,669)</u></u>	<u><u>\$3,436,341</u></u>	<u><u>\$329,967</u></u>

Within governmental activities, the City has outstanding installment loans, OPWC loans and SIB loans. These loans are to finance various projects and equipment purchases. The installment loans are being paid from the street capital improvement fund, the capital improvements capital project fund, and the street levy fund. The OPWC loans are being paid from the debt service fund and the SAMM roadway improvement capital projects fund. The SIB loans are being paid from the debt service fund and the permissive tax special revenue 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 and sewer funds. The OPWC loans are being paid from the water fund. The OWDA loans are being paid from the water and sewer funds.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$530,896 for the St. George waterline replacement design project (Project #6489 Water loan). As of December 31, 2014, only \$520,587 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

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A line of credit has been established with the Ohio Water Development Authority in the amount of \$225,394 for the St. George main replacement design project (Project #6488 Sewer loan). As of December 31, 2014, only \$198,924 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

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 2033. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2014, principal and interest payments on the loans exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$3,397,747. Interest remaining to be paid on the St. George waterline replacement design project loan has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$362,091 and (\$408,546), respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 3 percent of net revenues. The total principal remaining to be paid on the debt is \$194,588. Total interest remaining to be paid on the debt has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$7,255 and \$210,578, respectively.

The City also has eighteen capital leases. The street truck and street sweeper capital leases will be paid from the street capital improvement fund. The copier capital leases will be paid from the general fund and the police special revenue fund. The police cruisers and interceptor, fire truck and digital radio system capital leases will be paid from the capital improvements capital projects fund. The light fixtures capital lease will be paid from the capital improvements capital projects fund, water fund and sewer fund. The trash compactor, garbage truck, and rear load packer business-type activities' capital leases will be paid from the incinerator fund. The backhoe business-type activities' capital lease will be 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, 2014, the City's overall legal debt margin was \$8,202,659 and the unvoted legal debt margin was \$3,826,463. Principal and interest requirements to retire the outstanding debt at December 31, 2014, are as follows:

	Governmental-Wide					
	Installment Loans		OPWC Loans		SIB Loan	
	Principal	Interest	Principal	Principal	Interest	Interest
2015	\$62,925	\$9,705	\$33,342	\$58,832	\$13,095	
2016	65,509	7,120	33,343	60,610	11,317	
2017	67,366	4,460	33,343	62,442	9,485	
2018	61,014	1,987	33,343	64,329	7,598	
2019	20,492	157	33,342	66,273	5,653	
2020-2023	0	0	121,472	138,616	5,237	
Totals	\$277,306	\$23,429	\$288,185	\$451,102	\$52,385	

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	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2015	\$38,905	\$6,375	\$4,263	\$182,774	\$78,445
2016	40,905	4,374	4,263	188,948	72,270
2017	29,412	2,449	4,263	195,331	65,888
2018	20,715	1,561	4,263	201,930	59,289
2019	21,481	795	4,264	208,751	52,468
2020-2024	0	0	4,264	1,154,416	151,679
2025-2029	0	0	0	254,799	6,420
Totals	<u>\$151,418</u>	<u>\$15,554</u>	<u>\$25,580</u>	<u>\$2,386,949</u>	<u>\$486,459</u>

Note 16 – Capital Leases

In prior years, the City entered into capital leases for four copiers, police interceptor vehicles, a street truck, a fire truck, police cruisers, a K-9 police cruiser, a street sweeper, a digital radio system, and light fixtures in the governmental activities and a trash compactor, a backhoe, and light fixtures in the business-type activities. In 2014, the City entered into a capital lease for a police interceptor vehicle in the governmental activities and a rear load packer in the business-type activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements and on the proprietary statement of fund net position. Capital lease payments are reflected as debt service expenditures in the various funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Improvements other than Buildings	\$5,207	\$9,543
Machinery and Equipment	765,499	249,211
Less: Accumulated Depreciation	<u>(137,351)</u>	<u>(44,014)</u>
Current Book Value	<u>\$633,355</u>	<u>\$214,740</u>

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

	Governmental Activities	Business-type Activities
2015	\$164,848	\$68,686
2016	110,908	59,772
2017	83,122	2,900
2018	81,868	0
2019	35,794	0
2020	<u>17,897</u>	<u>0</u>
Total Minimum Lease Payments	494,437	131,358
Less: Amount representing interest	<u>(40,598)</u>	<u>(4,270)</u>
Present Value of Minimum Lease Payments	<u>\$453,839</u>	<u>\$127,088</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 17 – Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>				<u>Total</u>
	<u>General</u>	<u>Capital Improvements</u>	<u>Sewer</u>	<u>Incinerator</u>	
Police	\$1,728,500	\$0	\$0	\$0	\$1,728,500
Fire	551,500	0	0	0	551,500
Street Department Fund	30,000	0	0	0	30,000
General Bond Retirement Fund	0	25,500	0	0	25,500
Capital Improvements	0	0	0	0	0
Other Governmental Funds	22,392	0	0	0	22,392
Water	0	0	171,617	10,300	181,917
Other Enterprise Funds	5,000	0	0	0	5,000
Grand Total	<u>\$2,337,392</u>	<u>\$25,500</u>	<u>\$171,617</u>	<u>\$10,300</u>	<u>\$2,544,809</u>

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

The transfers from the general fund were to subsidize police, fire, and street operations of the City, as well as the victim witness assistance program, demolition, Broadway Wharf and swimming pool operations. The transfer to the debt service fund from the capital improvements fund was to account for that fund’s portion of debt obligations. The transfers from the sewer and incinerator enterprise funds to the water fund were for billing reimbursements.

Note 18 - Jointly Governed Organizations

Columbiana Metropolitan Housing Authority (the Authority)

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The board exercises total control over the Authority’s operations including budgeting, appropriating, contracting and designating management. Each member’s degree of control is limited to its representation on the board. The City did not contribute any amounts to the Authority during 2014. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2014, OMEGA received \$1,679 from the City of East Liverpool for an annual fee. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

Note 19 – Significant Commitments

Contractual Commitments

As of December 31, 2014, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
Hissom Roofing	\$50,000	\$0	\$50,000
RAM Industrial Service	21,756	0	21,756
Ozonia	19,100	0	19,100
RAM Industrial Service	11,035	0	11,035
	<u>\$101,891</u>	<u>\$0</u>	<u>\$101,891</u>

Remaining commitment amounts were encumbered at year-end.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$11,608	Water	\$116,884
Police	37,435	Sewer	74,496
Fire	26,198	Incinerator	24,532
Street Levy	8,465	Total Proprietary	<u>\$215,912</u>
Parkway/Walnut/5th/6th			
Street Improvements	4,254		
Other Governmental Funds	<u>109,865</u>		
Total Governmental	<u>\$197,825</u>		

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 20 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Police	Fire	Street Levy	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Inventory	\$0	\$0	\$0	\$0	\$35,370	\$35,370
Prepays	29,578	21,073	16,080	0	17,723	84,454
Unclaimed Monies	1,506	0	0	0	0	1,506
<i>Total Nonspendable</i>	<u>31,084</u>	<u>21,073</u>	<u>16,080</u>	<u>0</u>	<u>53,093</u>	<u>121,330</u>
<u>Restricted:</u>						
Transportation	0	0	0	185,168	207,749	392,917
Public Safety	0	0	55,263	0	106,307	161,570
Police Pension	0	0	0	0	6,825	6,825
Fire Pension	0	0	0	0	7,381	7,381
Economic Development	0	0	0	0	167,619	167,619
Food Service	0	0	0	0	10,211	10,211
Court Computerization	0	0	0	0	17,008	17,008
Probation Services	0	0	0	0	80,705	80,705
Debt Service	0	0	0	0	40,518	40,518
Capital Improvements	0	0	0	0	256,278	256,278
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>55,263</u>	<u>185,168</u>	<u>900,601</u>	<u>1,141,032</u>
<u>Committed:</u>						
Economic Development	0	0	0	0	14,029	14,029
<u>Assigned:</u>						
Recreation	2,435	0	0	0	0	2,435
2015 Budget	212,203	0	0	0	0	212,203
Purchases on Order:						
Contractual Services	9,919	0	0	0	0	9,919
<i>Total Assigned</i>	<u>224,557</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>224,557</u>
Unassigned (Deficit)	390,186	(40,783)	0	0	0	349,403
Total Fund						
Balance (Deficit)	<u>\$645,827</u>	<u>(\$19,710)</u>	<u>\$71,343</u>	<u>\$185,168</u>	<u>\$967,723</u>	<u>\$1,850,351</u>

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 21 – 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 22 – Subsequent Events

Since December 31, 2014, the City has had several issues taking place in 2015:

The City has several new leases and loans:

- 1) Leased a street truck for \$124,240 out of the capital improvements fund;
- 2) Leased a water truck for \$165,229 out of the water fund;
- 3) A new loan for the purpose of painting the water tanks for \$100,000 out of water fund.

The City also has three big projects this year:

- 1) The River Road project is to be funded by a SIB loan in the amount of \$1,256,000;
- 2) The 4th Street project is funded by several sources:
 - a) Kent State University \$150,000;
 - b) Private Sector \$111,995;
 - c) Ohio Department of Transportation \$799,185.
- 3) The water department is replacing the water lines at a cost of \$550,000. This will be paid directly out of the water fund.

October 30, 2015

To Members of Council and Management
City of East Liverpool
Columbiana County, Ohio
126 W 6th St.
East Liverpool, Ohio 43920

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as items 2014-001 and 2014-002 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2014-003 and 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

October 30, 2015

To the Members of Council and Management
City of East Liverpool
Columbiana County, Ohio
126 W 6th St.
East Liverpool, Ohio 43920

**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control over Compliance
Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited the City of East Liverpool's, Columbiana County, Ohio (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

New Philadelphia, Ohio

City of East Liverpool
Columbiana County, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grantor/Pass Through Grantor Program Title	Agency or Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants	A-C-12-2BH-1	14.228	\$ 79,975
Community Development Block Grants	2BH	14.228	358
Total Community Development Block Grants			<u>80,333</u>
HOME Investment Partnerships Program	A-C-12-2DL-2	14.239	223,421
HOME Investment Partnerships Program	2BH	14.239	1,417
Total HOME Investment Partnerships Program			<u>224,838</u>
<i>Total Passed through Ohio Department of Development</i>			<u>305,171</u>
Total U.S. Department of Housing and Urban Development			<u>305,171</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through Ohio Attorney General's Office:</i>			
Crime Victim Assistance	2014SAGENE468	16.575	2,115
Crime Victim Assistance	2015SAGENE468	16.575	279
Crime Victim Assistance	2014VAGENE468	16.575	32,273
Crime Victim Assistance	2015VAGENE468	16.575	11,579
Total Crime Victime Assistance			<u>46,246</u>
<i>Total Passed through Ohio Attorney General's Office</i>			<u>46,246</u>
Total U.S. Department of Justice			<u>46,246</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction: COL - Parkway/Walnut/5th/6th	95216	20.205	1,060,965
Total Highway Planning and Construction			<u>1,060,965</u>
<i>Total Passed through Ohio Department of Transportation</i>			<u>1,060,965</u>
Total U.S. Department of Transportation			<u>1,060,965</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,412,382</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

City of East Liverpool
Columbiana County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2014

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B - Matching Requirements

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

Note C - Community Development Block Grant (CDBG) Revolving Loan Programs

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the Government, passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (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. These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$ 61,891
Loans made	-
Loan principal repaid	<u>(8,454)</u>
Ending loans receivable balance as of December 31, 2014	\$ 53,437
Cash balance on hand in revolving loan fund as of December 31, 2014	\$ 38,109

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
December 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Highway Planning and Construction	CFDA # 20.205
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2014-001

Material Weakness – Cash Reconciliations

Criteria: The City's management has a responsibility to design and maintain internal controls over financial reporting. Internal controls must exist over the cash reconciliation process. Timely reconciliation and review should be completed by the appropriate personnel.

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505 (Continued)
December 31, 2014

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

Finding Number: 2014-001 (Continued)

Material Weakness – Cash Reconciliations (Continued)

Condition: While obtaining an understanding of internal controls over the cash reconciliation process, we identified a deficiency in the City’s controls such that there was a reasonable possibility that a material misstatement of the entity’s financial statements would not be prevented, or detected and corrected in a timely manner. A crucial step in the internal control over financial reporting is to reconcile monthly the cash bank balance and investments to the balance in the accounting records and provide support for reconciling items. The reconciliation process will help ensure complete, accurate and timely posting of receipts and will promote the detection of errors or irregularities by the City’s management in a timely manner.

Cause: The factors that resulted in the control weakness are a lack of ability to reconcile book transactions to bank activity in a timely manner.

Effect: Without monthly comprehensive cash reconciliations, the City risks the potential of having transactions posted improperly and/or misrepresenting actual cash balances to City Council for use with budgeting decisions.

Recommendation: We recommend the City Treasurer obtain a complete understanding of the City’s accounting processes in order to diagnose the source of the unreconciled differences and implement controls to maintain a seamless reconciliation process on a timely basis. The completed reconciliation should be done monthly and should show evidence of management review and approval and should also be presented to Council in the subsequent month for approval.

Management’s Response: The City has taken steps in 2015 to begin the process for timely bank reconciliations. The Treasurer will begin reconciling on a regular basis and in a timely manner.

Finding Number: 2014-002

Material Weakness – Internal Controls over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 122 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 122 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition Found: There were material audit adjustments made to the financial statements presented for audit.

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505 (Continued)
December 31, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number: 2014-002 (Continued)

Material Weakness – Internal Controls over Financial Reporting (Continued)

Cause: There were several capital asset additions in 2014 that were not properly capitalized.

Effect: The condition noted above resulted in an understatement of depreciable capital assets, an overstatement of expense and an understatement of net investment in capital assets in the Water fund.

Recommendations: To ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt procedures, including a final review of the statements and notes by the City Auditor, to identify and correct errors and omissions.

Management Response: We will review our procedures for identifying capital asset additions and put controls in place to ensure all additions are properly capitalized in future years.

Finding Number: 2014-003

Significant Deficiency – Segregation of Duties

Criteria: Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities.

Condition: While obtaining an understanding of internal controls of the City's operations we noted the following conditions;

- § Auditor's Office - We noted that the Deputy Auditor prepares and posts journal entries to the accounting system with no evidence of oversight from the City Auditor. In addition, we noted that timely bank reconciliations were not occurring which increases the risk of incorrect or inappropriate journal entries going undetected.
- § Planning Department – We noted personnel in the planning department have the ability to collect cash and checks, create deposit slips and make deposits to the bank.
- § Mayor's Office – We noted the Mayor's Administrative Assistant bills customers, collects payments and prepares the deposit.

Cause: The factors that resulted in the control weakness are a lack of segregation of duties and sufficient oversight of the activities performed within the respective processes.

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505 (Continued)
December 31, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number: 2014-003 (Continued)

Significant Deficiency – Segregation of Duties (Continued)

Effect: Errors could occur and remain undetected by management. A lack of segregation of duties and oversight exposes the City to increased risk of error or fraud.

Recommendation: To improve segregation of duties, each department should implement appropriate oversight procedures to ensure errors or fraud could be prevented or detected in a timely manner. The City should consider changing procedures to properly segregate duties.

Management’s Response: Management will review processes and implement procedures to properly segregate duties.

Finding Number: 2014-004

Significant Deficiency – Vendor Verification

Criteria: The electronic vendor master file is a centralized store of data pertaining to the City’s vendors. The vendor master file is of particular importance supporting the transactional accounts payable process, as it is utilized to access vendor information in order to generate check payments. The City has the responsibility to develop internal control procedures to protect the integrity of the vendor master file.

Condition: As part of our review of the City’s vendor activity, we extracted the vendor master file from the City’s accounting system and analyzed it utilizing ACL (data mining software). Through this analysis, we noted the vendor master contained many duplicate vendors as well as vendors with missing address details. In addition, new vendors initiated outside of the Auditor’s Office are set up in the vendor master file without verification of legitimacy.

Cause: The Auditor’s Office has not developed internal control procedures to maintain the integrity of the electronic vendor master file.

Effect: Lack of internal controls regarding the electronic vendor master expose the City to an increased risk of fraud or error in the accounts payable process.

Recommendation: We recommend the Auditor’s Office perform a periodic review of the vendor master file for potential purging of duplicate vendors, procedures to ensure that all vendor details are entered into the electronic vendor master file. We also recommend verification of vendors to ensure that all new vendors are legitimate and for a proper business purpose.

Management’s Response: The Auditor’s Office recognizes the importance of controls over the vendor master file and will work to develop and incorporate internal controls to properly address this recommendation.

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505 (Continued)
December 31, 2014

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

City of East Liverpool
Columbiana County, Ohio
Schedule of Prior Audit Findings
December 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2013-001	Cash reconciliations not performed properly	No	Repeated as Finding 2014-001
2013-002	Segregation of Duties	No	Repeated as Finding 2014-003
2013-003	Vendor Verification	No	Repeated as Finding 2014-004
2013-004	Material Non-compliance: ORC 135.18(A), pledged securities	Yes	



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
JANUARY 19, 2016