



Mary Taylor, CPA
Auditor of State

CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City of East Liverpool:

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Police and Fire funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

October 22, 2007

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

The discussion and analysis of the City of East Liverpool financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- General Revenues accounted for \$4,949,630 in revenue or 41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$7,201,959 or 59 percent of total revenues of \$12,151,589.
- Total program expenses were \$10,849,517, \$6,573,825 in governmental activities and \$4,275,692 in business-type activities.
- In total, net assets increased \$1,302,072. Net assets of governmental activities increased \$775,609. Net assets of business-type activities increased \$526,463.
- Outstanding debt increased from \$5,908,794 to \$9,176,252 through the issuance of new debt.

Using this Annual Financial Report

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

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2005 and how they affected the operations of the City as a whole.

Reporting the City of East Liverpool as a Whole

Statement of Net Assets and the Statement of Activities

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

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

A question typically asked about the City's finances "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the City of East Liverpool's Most Significant Funds

Fund Financial Statements

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

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

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

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

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

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

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

The City East Liverpool as a Whole

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

Table 1 provides a summary of the City's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$ 4,647,080	\$ 4,807,082	\$ 4,558,583	\$ 4,005,884	\$ 9,205,663	\$ 8,812,966
Capital Assets	4,887,187	2,906,058	8,797,262	6,206,007	13,684,449	9,112,065
Total Assets	\$ 9,534,267	\$ 7,713,140	\$ 13,355,845	\$ 10,211,891	\$ 22,890,112	\$ 17,925,031
Liabilities						
Long-Term Liabilities	\$ 3,529,038	\$ 3,047,914	\$ 6,356,487	\$ 3,936,432	\$ 9,885,525	\$ 6,984,346
Other Liabilities	1,996,954	1,432,560	553,928	356,493	2,550,882	1,789,053
Total Liabilities	\$ 5,525,992	\$ 4,480,474	\$ 6,910,415	\$ 4,292,925	\$ 12,436,407	\$ 8,773,399
Net Assets						
Invested in Capital Assets,						
Net of Debt	\$ 2,838,205	\$ 1,619,922	\$ 2,585,511	\$ 2,514,249	\$ 5,423,716	\$ 4,134,171
Restricted	2,050,767	1,612,480	0	0	2,050,767	1,612,480
Unrestricted (Deficit)	(880,697)	264	3,859,919	3,404,717	2,979,222	3,404,981
Total Net Assets	\$ 4,008,275	\$ 3,232,666	\$ 6,445,430	\$ 5,918,966	\$ 10,453,705	\$ 9,151,632

Total assets increased by \$4,965,081 with governmental assets increasing \$1,821,127 and business-type assets increasing \$3,143,954. An increase in capital assets reflects the majority of the increase in governmental assets. Total liabilities increased by \$3,663,008.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Total net assets increased by \$1,302,073. This number reflects an increase in net assets due to the increase of revenues in governmental and business-type activities. Table 2 shows the changes in net assets for fiscal year 2005. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the City's financial status and possibly project future problems.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 935,707	\$ 819,887	\$ 4,615,601	\$ 4,599,235	\$ 5,551,308	\$ 5,419,122
Operating Grants	1,066,447	1,725,911	27,927	16,691	1,094,374	1,742,602
Capital Grants	548,104	4,322	8,173	8,605	556,277	12,927
<i>General Revenue:</i>						0
Property Taxes	1,050,570	976,969	84,293	91,635	1,134,863	1,068,604
Income Taxes	2,756,288	2,832,327	0	0	2,756,288	2,832,327
Grants and Entitlements	338,862	335,559	0	0	338,862	335,559
Investments	63,967	34,374	26,954	10,408	90,921	44,782
Unrestricted Contributions	20,800	(11,222)	0	0	20,800	(11,222)
Other	568,689	76,353	39,207	21,020	607,896	97,373
Total Revenues	7,349,434	6,794,480	4,802,155	4,747,594	12,151,589	11,542,074
Program Expenses						
General Government	1,322,025	1,142,123	0	0	1,322,025	1,142,123
Security of Persons and Property	3,518,561	3,387,465	0	0	3,518,561	3,387,465
Transportation	881,907	873,931	0	0	881,907	873,931
Public Health Services	150,349	155,234	0	0	150,349	155,234
Community Environment	516,912	591,390	0	0	516,912	591,390
Leisure Time Activities	136,674	150,345	0	0	136,674	150,345
Interest and Fiscal Charges	47,397	55,843	0	0	47,397	55,843
<i>Enterprise Operations:</i>						0
Water	0	0	2,390,406	2,551,320	2,390,406	2,551,320
Sewer	0	0	1,073,953	1,086,366	1,073,953	1,086,366
Incinerator	0	0	759,156	679,164	759,156	679,164
Off Street Parking	0	0	21,040	19,849	21,040	19,849
Swimming Pool	0	0	31,137	30,963	31,137	30,963
Total Program Expenses	6,573,825	6,356,331	4,275,692	4,367,662	10,849,517	10,723,993
Increase (Decrease) in Net Assets	\$ 775,609	\$ 438,149	\$ 526,463	\$ 379,932	\$ 1,302,072	\$ 818,081

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Governmental Activities

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

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

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

Police and fire represent the largest expense of the Governmental Activities. This expense of \$3,518,561 represents 53 percent of the total expenses. These two departments are subsidized by the General fund.

Our Fire Department employs 19 full time employees including the Chief. The City is very committed to maintaining a very efficient department. Regular meetings, drills and training sessions are held. There is a strong emphasis on equipment with financial planning in place for replacement of worn equipment on a regular basis. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education, and investigation.

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

Our Street Maintenance and Repair Department employs 11 full time employees who provide the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of \$287,023 in 2005 equaling 4 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer, incinerator, off street parking and swimming pool operations. The revenues are generated primarily from charges for services. In 2005, charges for services of \$4,615,601 accounted for 96 percent of the revenues. The total expenses were \$4,275,692, thus leaving an increase in net assets of \$526,463 for the business-type activities.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$7,656,836 and expenditures of \$8,827,657. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Information about the proprietary funds starts on page 19. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$4,642,551, which was more than operating expenses of \$4,088,711 by \$553,840 or 12 percent of operating revenues. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgeting Highlights

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

During the course of 2005, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the general fund, budget basis revenue was \$59,660 under the original budget estimates of \$4 million.

Final appropriations of \$1.61 million were \$108,384 less than the \$1.72 million in the original budget.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2005, the City had \$13.7 million invested in land, buildings, equipment, infrastructure and vehicles. A total of \$4.9 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2005 balances compared with 2004.

(Table 4)
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 520,262	\$ 520,262	\$ 25,771	\$ 25,771	\$ 546,033	\$ 546,033
Buildings and Improvements	120,084	127,509	1,597,893	1,679,152	1,717,977	1,806,661
Infrastructure	3,542,852	1,424,627	5,627,281	2,684,160	9,170,133	4,108,787
Furniture and Equipment	507,733	534,806	613,538	700,637	1,121,271	1,235,443
Improvements Other than Buildings	138,157	136,124	0	0	138,157	136,124
Construction in Progress	58,099	162,730	323,243	482,166	381,342	644,896
Water and Sewer Lines	0	0	609,536	634,121	609,536	634,121
Totals	\$ 4,887,187	\$ 2,906,058	\$ 8,797,262	\$ 6,206,007	\$ 13,684,449	\$ 9,112,065

The \$4,572,384 increase in capital assets was attributable to additional purchases exceeding depreciation expense. Note 9 provides capital asset activity during the 2005 year.

City of East Liverpool
Management's Discussion and Analysis
For the Year Ended December 31, 2005
(Unaudited)

Debt

The outstanding debt for the City of East Liverpool as of December 31, 2005 was \$9,176,252 with \$565,875 due within one year. Table 5 summarizes outstanding debt.

(Table 5)
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Police and Fire Pension	\$ 915,507	\$ 930,888	\$ 0	\$ 0	\$ 915,507	\$ 930,888
Capital Leases	0	40,249	0	0	0	40,249
Installment Loans	160,660	235,965	140,373	152,448	301,033	388,413
OPWC Loans	468,970	507,768	174,450	191,713	643,420	699,481
ODOT Loan	1,419,352	502,155	0	0	1,419,352	502,155
OWDA Loans	0	0	5,896,940	3,347,608	5,896,940	3,347,608
<i>Total</i>	<u>\$ 2,964,489</u>	<u>\$ 2,217,025</u>	<u>\$ 6,211,763</u>	<u>\$ 3,691,769</u>	<u>\$ 9,176,252</u>	<u>\$ 5,908,794</u>

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

Additional information concerning the City's debt can be found in note 15 to the basic financial statements.

Current Financial Issues

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

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

The City is currently keeping a close watch on spending,

Contacting the City's Finance Department

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

City of East Liverpool
Statement of Net Assets
December 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 706,575	\$ 1,732,330	\$ 2,438,905
Cash and Cash Equivalents in Segregated Accounts	99,379	1,504,226	1,603,605
Materials and Supplies Inventory	13,638	26,432	40,070
Accounts Receivable	109,552	1,138,918	1,248,470
Intergovernmental Receivable	1,512,324	3,198	1,515,522
Prepaid Items	99,001	48,020	147,021
Taxes Receivable	1,894,530	105,459	1,999,989
Loans Receivable	109,400	0	109,400
Special Assessments Receivable	102,681	0	102,681
Non-Depreciable Capital Assets	578,361	349,014	927,375
Depreciable Capital Assets, Net	4,308,826	8,448,248	12,757,074
<i>Total Assets</i>	<u>9,534,267</u>	<u>13,355,845</u>	<u>22,890,112</u>
Liabilities			
Accounts Payable	23,129	33,333	56,462
Accrued Wages	117,649	62,389	180,038
Contracts Payable	256,264	146,909	403,173
Intergovernmental Payable	237,684	73,993	311,677
Accrued Interest Payable	0	108,810	108,810
Accrued Vacation Leave Payable	272,150	128,494	400,644
Deferred Revenue	1,045,535	0	1,045,535
Compensated Absences	44,543	0	44,543
Long-Term Liabilities:			
Due Within One Year	174,504	391,371	565,875
Due in More Than One Year	3,354,534	5,965,116	9,319,650
<i>Total Liabilities</i>	<u>5,525,992</u>	<u>6,910,415</u>	<u>12,436,407</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,838,205	2,585,511	5,423,716
Restricted for Debt Service	117,108	0	117,108
Restricted for Capital Outlay	481,612	0	481,612
Restricted for Other Purposes	1,452,047	0	1,452,047
Unrestricted	(880,697)	3,859,919	2,979,222
<i>Total Net Assets</i>	<u>\$ 4,008,275</u>	<u>\$ 6,445,430</u>	<u>\$ 10,453,705</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Activities
For the Year Ended December 31, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,322,025	\$ 687,066	\$ 13,173	\$ 30,722	\$ (591,064)	\$ 0	\$ (591,064)
Security of Persons and Property	3,518,561	231,455	157,886	0	(3,129,220)	0	(3,129,220)
Public Health	150,349	15,776	6,122	0	(128,451)	0	(128,451)
Leisure Time Services	136,674	0	0	0	(136,674)	0	(136,674)
Community and Economic Development	516,912	0	214,314	0	(302,598)	0	(302,598)
Transportation	881,907	1,410	674,952	517,382	311,837	0	311,837
Interest and Fiscal Charges	47,397	0	0	0	(47,397)	0	(47,397)
<i>Total Governmental Activities</i>	<u>6,573,825</u>	<u>935,707</u>	<u>1,066,447</u>	<u>548,104</u>	<u>(4,023,567)</u>	<u>0</u>	<u>(4,023,567)</u>
Business-Type Activities:							
Incinerator Fund	759,156	628,827	14,100	0	0	(116,229)	(116,229)
Off Street Parking Fund	21,040	18,610	0	0	0	(2,430)	(2,430)
Sewer Fund	1,073,953	1,129,056	0	8,173	0	63,276	63,276
T. Park Swimming Pool	31,137	23,157	0	0	0	(7,980)	(7,980)
Water Fund	2,390,406	2,815,951	13,827	0	0	439,372	439,372
<i>Total Business-Type Activities</i>	<u>4,275,692</u>	<u>4,615,601</u>	<u>27,927</u>	<u>8,173</u>	<u>0</u>	<u>376,009</u>	<u>376,009</u>
<i>Total - Primary Government</i>	<u>\$ 10,849,517</u>	<u>\$ 5,551,308</u>	<u>\$ 1,094,374</u>	<u>\$ 556,277</u>	<u>(4,023,567)</u>	<u>376,009</u>	<u>(3,647,558)</u>
General Revenues:							
Property and Other Taxes Levied for:							
General Purposes					202,050	0	202,050
Debt Service					86,798	0	86,798
Police and Fire Services					754,066	0	754,066
Other Purposes					7,656	84,293	91,949
Levied for General Purposes					2,756,288	0	2,756,288
Grants and Entitlements not Restricted to Specific Programs					338,862	0	338,862
Investment Earnings					63,967	26,954	90,921
Unrestricted Contributions					20,800	0	20,800
Miscellaneous					568,689	39,207	607,896
<i>Total General Revenues</i>					<u>4,799,176</u>	<u>150,454</u>	<u>4,949,630</u>
<i>Change in Net Assets</i>					775,609	526,463	1,302,072
<i>Net Assets Beginning of Year</i>					<u>3,232,666</u>	<u>5,918,967</u>	<u>9,151,633</u>
<i>Net Assets End of Year</i>					<u>\$ 4,008,275</u>	<u>\$ 6,445,430</u>	<u>\$ 10,453,705</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Police Fund	Fire Fund	St. Clair Paving Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 41,696	\$ 5,943	\$ 100	\$ 5,635	\$ 653,201	\$ 706,575
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	99,379	99,379
Materials and Supplies Inventory	0	0	0	0	13,638	13,638
Accounts Receivable	86,728	12,848	0	0	9,976	109,552
Intergovernmental Receivable	171,632	1,683	34,466	209,667	1,094,876	1,512,324
Prepaid Items	38,114	20,553	18,635	0	21,699	99,001
Taxes Receivable	856,367	55,505	811,288	0	171,370	1,894,530
Loans Receivable	0	0	0	0	109,400	109,400
Special Assessments Receivable	0	0	0	0	102,681	102,681
Advances to Other Funds	23,995	0	0	0	0	23,995
<i>Total Assets</i>	<u>\$1,218,532</u>	<u>\$ 96,532</u>	<u>\$ 864,489</u>	<u>\$ 215,302</u>	<u>\$ 2,276,220</u>	<u>\$ 4,671,075</u>
Liabilities						
Accounts Payable	11,610	4,178	0	0	7,341	23,129
Accrued Wages	23,993	42,794	35,427	0	15,435	117,649
Contracts Payable	0	0	0	256,264	0	256,264
Intergovernmental Payable	38,057	97,795	82,077	0	19,755	237,684
Matured Compensated Absences	0	0	44,543	0	0	44,543
Deferred Revenue	656,259	57,188	845,754	0	1,141,923	2,701,124
Advances From Other Funds	0	0	0	0	23,995	23,995
<i>Total Liabilities</i>	<u>729,919</u>	<u>201,955</u>	<u>1,007,801</u>	<u>256,264</u>	<u>1,208,449</u>	<u>3,404,388</u>
Fund Balances						
Reserved for Encumbrances	4,040	0	100	28,900	176,062	209,102
Reserved for Inventory	0	0	0	0	13,638	13,638
Reserved for Advances	23,995	0	0	0	0	23,995
Reserved for Loans Receivable	0	0	0	0	109,400	109,400
Reserved for Debt Service	0	0	0	0	95,080	95,080
Unreserved, Undesignated, Reported in:						
General Fund	460,578	0	0	0	0	460,578
Special Revenue Funds	0	(105,423)	(143,412)	0	420,383	171,548
Capital Projects Funds	0	0	0	(69,862)	253,208	183,346
<i>Total Fund Balances</i>	<u>488,613</u>	<u>(105,423)</u>	<u>(143,312)</u>	<u>(40,962)</u>	<u>1,067,771</u>	<u>1,266,687</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,218,532</u>	<u>\$ 96,532</u>	<u>\$ 864,489</u>	<u>\$ 215,302</u>	<u>\$ 2,276,220</u>	<u>\$ 4,671,075</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2005*

Total Governmental Fund Balances \$ 1,266,687

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 4,887,187

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

Property Taxes	\$ 203,544
Income Tax	342,284
Loans Receivable	100
Intergovernmental	1,006,980
Special Assessments	<u>102,681</u>

Total 1,655,589

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

OPWC Loans	468,970
Installment Loans Payable	160,659
ODOT Loan	1,419,353
Accrued Vacation Payable	272,150
Compensated Absences	564,549
Police and Fire Pension	<u>915,507</u>

Total (3,801,188)

Net Assets of Governmental Activities \$ 4,008,275

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2005

	General Fund	Police Fund	Fire Fund	St. Clair Paving Fund	All Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 204,806	\$ 48,078	\$ 674,433	\$ 0	\$ 148,738	\$ 1,076,055
Income Taxes	2,795,567	0	0	0	1,465	2,797,032
Special Assessments	0	0	0	0	12,636	12,636
Charges for Services	302	98,043	3,691	0	0	102,036
Licenses and Permits	403,221	0	0	0	46,186	449,407
Fines and Forfeitures	148,316	59,122	0	0	176,826	384,264
Intergovernmental	340,590	8,556	106,933	517,382	1,208,589	2,182,050
Interest	59,524	0	0	0	4,343	63,867
Contributions and Donations	0	0	0	0	20,800	20,800
Other	8,298	6,457	1,000	428,197	124,737	568,689
<i>Total Revenues</i>	<u>3,960,624</u>	<u>220,256</u>	<u>786,057</u>	<u>945,579</u>	<u>1,744,320</u>	<u>7,656,836</u>
Expenditures						
Current:						
General Government	1,223,038	0	0	0	48,411	1,271,449
Security of Persons and Property	0	1,675,117	1,570,633	0	188,421	3,434,171
Public Health	131,912	0	0	0	18,006	149,918
Leisure Time Services	105,660	0	0	0	412	106,072
Community and Economic Development	91,448	0	0	0	425,464	516,912
Transportation	0	0	0	0	786,544	786,544
Capital Outlay	0	0	0	1,921,860	317,010	2,238,870
Debt Service:						
Principal Retirements	0	5,257	10,124	0	260,944	276,325
Interest and Fiscal Charges	0	13,467	25,934	0	7,995	47,396
<i>Total Expenditures</i>	<u>1,552,058</u>	<u>1,693,841</u>	<u>1,606,691</u>	<u>1,921,860</u>	<u>2,053,207</u>	<u>8,827,657</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,408,566</u>	<u>(1,473,585)</u>	<u>(820,634)</u>	<u>(976,281)</u>	<u>(308,887)</u>	<u>(1,170,821)</u>
Other Financing Sources and Uses						
Transfers In	0	1,444,348	776,715	0	350,919	2,571,982
Proceeds of Notes	0	0	0	935,319	88,470	1,023,789
Transfers Out	(2,482,622)	0	0	0	(89,360)	(2,571,982)
<i>Total Other Financing Sources and Uses</i>	<u>(2,482,622)</u>	<u>1,444,348</u>	<u>776,715</u>	<u>935,319</u>	<u>350,029</u>	<u>1,023,789</u>
<i>Net Change in Fund Balance</i>	(74,056)	(29,237)	(43,919)	(40,962)	41,142	(147,032)
<i>Fund Balance at Beginning of Year- (Restated see note 3)</i>	562,669	(76,186)	(99,393)	0	1,024,441	1,411,531
Increase in Reserve for Inventory	0	0	0	0	2,188	2,188
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 488,613</u>	<u>\$ (105,423)</u>	<u>\$ (143,312)</u>	<u>\$ (40,962)</u>	<u>\$ 1,067,771</u>	<u>\$ 1,266,687</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ (147,032)

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	\$ 2,237,710	
Current Year Depreciation	<u>(256,582)</u>	
 Total		 1,981,128

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

Delinquent Property Taxes	(25,485)	
Deferred Income Taxes	(40,744)	
Loans Receivable	100	
Special Assessments	(12,636)	
Intergovernmental	<u>(228,636)</u>	
 Total		 (307,401)

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

276,325

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

Loans Proceeds		(1,023,789)
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Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	266,340	
Vacation Payable	(272,150)	
Change in Inventory	<u>2,188</u>	
 Total		 <u>(3,622)</u>

Change in Net Assets of Governmental Activities

\$ 775,609

See accompanying notes to the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 292,000	\$ 296,217	\$ 204,806	\$ (91,411)
Income Taxes	2,754,695	2,791,926	2,782,790	(9,136)
Licenses and Permits	0	421,184	402,396	(18,788)
Fines and Forfeitures	474,148	115,948	139,303	23,355
Intergovernmental	339,919	320,779	340,486	19,707
Interest	25,000	25,000	53,651	28,651
Other	155,452	10,500	8,298	(2,202)
<i>Total Revenues</i>	<u>4,041,214</u>	<u>3,981,554</u>	<u>3,931,730</u>	<u>(49,824)</u>
Expenditures				
General:				
General Government	1,364,768	1,276,122	1,232,033	44,089
Public Health	140,000	132,855	131,216	1,639
Lesiure Time Services	116,926	107,823	105,375	2,448
Community and Economic Development	101,621	98,131	90,714	7,417
<i>Total Expenditures</i>	<u>1,723,315</u>	<u>1,614,931</u>	<u>1,559,338</u>	<u>55,593</u>
Excess of Revenues Over Expenditures	<u>2,317,899</u>	<u>2,366,623</u>	<u>2,372,392</u>	<u>5,769</u>
Other Financing Sources and Uses				
Advances In	0	0	5,000	5,000
Transfers Out	(2,317,898)	(2,493,374)	(2,482,622)	10,752
Total Other Financing Sources and Uses	<u>(2,317,898)</u>	<u>(2,493,374)</u>	<u>(2,477,622)</u>	<u>15,752</u>
Net Change in Fund Balance	1	(126,751)	(105,230)	21,521
Fund Balance at Beginning of Year	107,007	107,007	107,007	0
Prior Year Encumbrances Appropriated	<u>20,208</u>	<u>20,208</u>	<u>20,208</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 127,216</u>	<u>\$ 464</u>	<u>\$ 21,985</u>	<u>\$ 21,521</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 48,540	\$ 48,540	\$ 48,078	\$ (462)
Charges for Services	45,000	93,706	98,043	4,337
Fines and Charges	50,500	50,500	59,310	8,810
Intergovernmental	41,457	8,532	8,556	24
Other	26,590	0	6,457	6,457
Total Revenues	<u>212,087</u>	<u>201,278</u>	<u>220,444</u>	<u>19,166</u>
Expenditures				
Current:				
Security of Persons and Property	1,563,064	1,745,104	1,664,079	81,025
Debt Service:				
Principal Retirements	0	5,257	5,257	0
Interest and Fiscal Charges	0	13,467	13,467	0
Total Expenditures	<u>1,563,064</u>	<u>1,763,828</u>	<u>1,682,803</u>	<u>81,025</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,350,977)</u>	<u>(1,562,550)</u>	<u>(1,462,359)</u>	<u>100,191</u>
Other Financing Sources and Uses				
Transfers In	<u>1,533,730</u>	<u>1,533,730</u>	<u>1,444,348</u>	<u>(89,382)</u>
Total Other Financing Sources and Uses	<u>1,533,730</u>	<u>1,533,730</u>	<u>1,444,348</u>	<u>(89,382)</u>
Net Change in Fund Balance	182,753	(28,820)	(18,011)	10,809
Fund Balance at Beginning of Year	10,000	10,000	10,000	0
Prior Year Encumbrances Appropriated	<u>8,011</u>	<u>8,011</u>	<u>8,011</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$ 200,764</u>	<u>\$ (10,809)</u>	<u>\$ 0</u>	<u>\$ 10,809</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 684,984	\$ 684,984	\$ 674,433	\$ (10,551)
Charges for Services	6,435	6,435	3,691	(2,744)
Intergovernmental	106,933	106,933	106,933	0
Other	47,375	1,000	1,000	0
Total Revenues	<u>845,727</u>	<u>799,352</u>	<u>786,057</u>	<u>(13,295)</u>
Expenditures				
Current:				
Security of Persons and Property	1,497,928	1,585,904	1,537,147	48,757
Debt Service:				
Principal Retirements	0	10,124	10,124	0
Interest and Fiscal Charges	0	25,934	25,934	0
Total Expenditures	<u>1,497,928</u>	<u>1,621,962</u>	<u>1,573,205</u>	<u>48,757</u>
Excess of Revenues Over (Under) Expenditures	<u>(652,201)</u>	<u>(822,610)</u>	<u>(787,148)</u>	<u>35,462</u>
Other Financing Sources and Uses				
Transfers In	<u>765,803</u>	<u>765,803</u>	<u>776,715</u>	<u>10,912</u>
Total Other Financing Sources and Uses	<u>765,803</u>	<u>765,803</u>	<u>776,715</u>	<u>10,912</u>
Net Change in Fund Balance	113,602	(56,807)	(10,433)	46,374
Fund Balance at Beginning of Year	10,000	10,000	10,000	0
Prior Year Encumbrances Appropriated	<u>433</u>	<u>433</u>	<u>433</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$ 124,035</u>	<u>\$ (46,374)</u>	<u>\$ 0</u>	<u>\$ 46,374</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 388,431	\$ 1,266,314	\$ 72,502	\$ 5,083	\$ 1,732,330
Cash and Cash Equivalents					
in Segregated Accounts	1,504,226	0	0	0	1,504,226
Materials and Supplies Inventory	22,814	3,618	0	0	26,432
Accounts Receivable	847,460	194,946	96,512	0	1,138,918
Intergovernmental Receivable	0	0	3,198	0	3,198
Prepaid Items	24,590	17,657	5,773	0	48,020
Taxes Receivable	0	0	105,459	0	105,459
<i>Total Current Assets</i>	<u>2,787,521</u>	<u>1,482,535</u>	<u>283,444</u>	<u>5,083</u>	<u>4,558,583</u>
<i>Non-Current Assets:</i>					
Non-Depreciable Capital Assets	342,866	6,148	0	0	349,014
Depreciable Capital Assets, Net	7,665,650	721,698	60,900	0	8,448,248
<i>Total Non-Current Assets</i>	<u>8,008,516</u>	<u>727,846</u>	<u>60,900</u>	<u>0</u>	<u>8,797,262</u>
<i>Total Assets</i>	<u>10,796,037</u>	<u>2,210,381</u>	<u>344,344</u>	<u>5,083</u>	<u>13,355,845</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	22,964	6,214	4,155	0	33,333
Accrued Wages	32,752	16,538	12,514	585	62,389
Contracts Payable	146,909	0	0	0	146,909
Intergovernmental Payable	39,181	19,142	14,654	1,016	73,993
Accrued Interest Payable	78,193	30,617	0	0	108,810
Accrued Vacation Leave Payable	69,526	41,915	17,053	0	128,494
Loans Payable	64,707	0	0	0	64,707
OPWC Loans Payable	17,263	0	0	0	17,263
OWDA Loans Payable	240,029	69,372	0	0	309,401
<i>Total Current Liabilities</i>	<u>711,524</u>	<u>183,798</u>	<u>48,376</u>	<u>1,601</u>	<u>945,299</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable - net of current portion	78,948	63,003	2,773	0	144,724
Loans Payable - net of current portion	75,666	0	0	0	75,666
OPWC Loans Payable - net of current portion	157,187	0	0	0	157,187
OWDA Loans Payable - net of current portion	4,912,865	674,674	0	0	5,587,539
<i>Total Long-Term Liabilities</i>	<u>5,224,666</u>	<u>737,677</u>	<u>2,773</u>	<u>0</u>	<u>5,965,116</u>
<i>Total Liabilities</i>	<u>5,936,190</u>	<u>921,475</u>	<u>51,149</u>	<u>1,601</u>	<u>6,910,415</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	2,540,809	(16,198)	60,900	0	2,585,511
Unrestricted	2,319,038	1,305,104	232,295	3,482	3,859,919
<i>Total Net Assets</i>	<u>\$ 4,859,847</u>	<u>\$ 1,288,906</u>	<u>\$ 293,195</u>	<u>\$ 3,482</u>	<u>\$ 6,445,430</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Operating Revenue					
Charges for Services	\$ 2,815,951	\$ 1,129,056	\$ 628,827	\$ 41,767	\$ 4,615,601
Other	0	0	26,950	0	26,950
<i>Total Operating Revenues</i>	<u>2,815,951</u>	<u>1,129,056</u>	<u>655,777</u>	<u>41,767</u>	<u>4,642,551</u>
Operating Expenses					
Personal Services	1,355,267	649,308	549,041	37,428	2,591,044
Contractual Services	343,988	158,136	112,137	3,893	618,154
Materials and Supplies	303,117	61,841	80,201	10,856	456,015
Depreciation	254,984	150,737	17,777	0	423,498
<i>Total Operating Expenses</i>	<u>2,257,356</u>	<u>1,020,022</u>	<u>759,156</u>	<u>52,177</u>	<u>4,088,711</u>
<i>Operating Income (Loss)</i>	<u>558,595</u>	<u>109,034</u>	<u>(103,379)</u>	<u>(10,410)</u>	<u>553,840</u>
Non-Operating Revenues (Expenses)					
Interest	26,954	0	0	0	26,954
Intergovernmental	13,827	0	14,100	0	27,927
Property Taxes	0	0	84,293	0	84,293
Other Non-Operating	5,785	1,836	0	4,636	12,257
Interest and Fiscal Charges	(133,050)	(53,931)	0	0	(186,981)
Special Assessments	0	8,173	0	0	8,173
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(86,484)</u>	<u>(43,922)</u>	<u>98,393</u>	<u>4,636</u>	<u>(27,377)</u>
<i>Income Before Contributions and Transfers</i>	472,111	65,112	(4,986)	(5,774)	526,463
Operating Transfer In	181,917	77,500	0	0	259,417
Operating Transfer Out	0	(249,117)	(10,300)	0	(259,417)
<i>Total Income Before Contributions and Transfers</i>	<u>181,917</u>	<u>(171,617)</u>	<u>(10,300)</u>	<u>0</u>	<u>0</u>
<i>Change in Net Assets</i>	654,028	(106,505)	(15,286)	(5,774)	526,463
<i>Net Assets at Beginning of Year</i>	<u>4,205,818</u>	<u>1,395,411</u>	<u>308,481</u>	<u>9,256</u>	<u>5,918,966</u>
<i>Net Assets at End of Year</i>	<u>\$ 4,859,846</u>	<u>\$ 1,288,906</u>	<u>\$ 293,195</u>	<u>\$ 3,482</u>	<u>\$ 6,445,429</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents					
Cash flows from Operating Activities					
Cash Received from Customers	\$ 2,431,825	\$ 1,130,272	\$ 614,159	\$ 41,767	\$ 4,218,023
Other Operating Receipts	0	0	26,950	0	26,950
Cash Payments to Suppliers for Goods and Services	(310,087)	(64,842)	(80,651)	(10,856)	(466,436)
Cash Payments for Employees Services and Benefits	(1,325,145)	(644,450)	(546,837)	(37,325)	(2,553,757)
Cash Payments for Contractual Services	(346,442)	(153,537)	(112,306)	(3,893)	(616,178)
<i>Net Cash Provided by (Used for)</i> <i>Operating Activities</i>	<u>450,151</u>	<u>267,443</u>	<u>(98,685)</u>	<u>(10,307)</u>	<u>608,602</u>
Cash Flows from Noncapital Financing Activities					
Intergovernmental Receipts	13,827	0	16,257	0	30,084
Tax Receipts	0	0	91,347	0	91,347
Special Assessments	0	8,173	0	0	8,173
Other Non-Operating Transfers In	5,785	1,836	0	4,637	12,258
Transfers Out	181,917	77,500	0	0	259,417
<i>Net Cash Provided by (Used for) Noncapital</i> <i>Financing Activities</i>	<u>201,529</u>	<u>(161,608)</u>	<u>97,304</u>	<u>4,637</u>	<u>141,862</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Loans	2,870,729	0	0	0	2,870,729
Acquisition of Capital Assets	(2,922,402)	(5,192)	0	0	(2,927,594)
Principal Paid on OWDA Loans	(221,119)	(64,096)	0	0	(285,215)
Principal Paid on OPWC Loans	(17,263)	0	0	0	(17,263)
Principal Payments on Installment Loans	(58,170)	0	0	0	(58,170)
Interest Paid on All Debt	(147,031)	(56,569)	0	0	(203,600)
<i>Net Cash (Used for) Capital and Related</i> <i>Financing Activities</i>	<u>(495,256)</u>	<u>(125,857)</u>	<u>0</u>	<u>0</u>	<u>(621,113)</u>
Cash Flows from Investing Activities					
Receipts of Interest	36,839	0	0	0	36,839
<i>Net Cash Provided by Noncapital</i> <i>Financing Activities</i>	<u>36,839</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,839</u>
<i>Net Increase (Decrease) in Cash and</i> <i>Cash Equivalents</i>	193,263	(20,022)	(1,381)	(5,670)	166,190
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>1,699,394</u>	<u>1,286,336</u>	<u>73,883</u>	<u>10,753</u>	<u>3,070,366</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 1,892,657</u>	<u>\$ 1,266,314</u>	<u>\$ 72,502</u>	<u>\$ 5,083</u>	<u>\$ 3,236,556</u>

(continued)

City of East Liverpool
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Incinerator Fund	All Other Enterprise Funds	
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used in) Operating Activities:					
Operating Income (Loss)	\$ 558,595	\$ 109,034	\$ (103,379)	\$ (10,410)	\$ 553,840
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Depreciation	254,985	150,737	17,777	0	423,499
(Increase) Decrease in Assets:					
Accounts Receivable	(384,127)	1,216	(14,668)	0	(397,579)
Prepaid Items	1,410	(908)	278	0	780
Materials and Supplies Inventory	3,191	(2,113)	0	0	1,078
Increase (Decrease) in Liabilities:					
Accounts Payable	(14,024)	4,619	(897)	0	(10,302)
Accrued Wages	1,666	(353)	(1,375)	0	(62)
Accrued Vacation Payable	69,526	41,915	17,053	0	128,494
Compensated Absences Payable	(45,879)	(38,726)	(15,334)	0	(99,939)
Intergovernmental Payable	4,808	2,022	1,860	103	8,793
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 450,151</u>	<u>\$ 267,443</u>	<u>\$ (98,685)</u>	<u>\$ (10,307)</u>	<u>\$ 608,602</u>

See accompanying notes to the basic financial statements.

City of East Liverpool
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,333
Cash and Cash Equivalents in Segregated Accounts	1,461
Accounts Receivable	<u>506,747</u>
<i>Total Assets</i>	<u>\$ 517,541</u>
Liabilities	
Undistributed Monies	<u>\$ 517,541</u>
<i>Total Liabilities</i>	<u>\$ 517,541</u>

See accompanying notes to the basic financial statements.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements **DECEMBER 31, 2005**

NOTE 1: REPORTING ENTITY

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

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

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

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

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. These City operations form the legal entity of the City and are included as part of the primary government.

The City is involved with the Columbiana Metropolitan Housing Authority, and OMEGA which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

St. Clair Paving Capital Projects Fund. The St. Clair paving capital project fund is used to account for the costs associated with the paving of St. Clair Avenue.

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

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Pooled Cash and Cash Equivalents

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2005 amounted to \$59,524, which includes \$58,589 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 6, Deposits and Investments.

F. Materials and Supplies Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies.

G. Capital Assets

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

H. Interfund Balances

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

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

I. Compensated Absences

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after ten years of service.

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Assets

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

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

M. Operating Revenues and Expenses

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

N. Interfund Activity

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

P. Estimates

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Budgetary Data

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

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

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

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For fiscal year 2005, the City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

Refer to Note 6 for additional documentation concerning GASB Statement No. 40.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (Continued)

Restatement of Fund Balance Due to the implementation of GASB Technical Bulletin No. 2004-2 beginning fund balance was restated to reflect the change in intergovernmental payables. There was no impact on the 2004 Chip Major Fund. It is not a major fund in 2005 and therefore included with all other governmental funds. As a result, total governmental fund balances decreased by \$132,408 as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>St. Clair Paving</u>	<u>All Other Governmental</u>	<u>Total</u>
Fund Balances, 12/31/04	\$ 566,112	\$ (17,435)	\$ (31,649)	\$ 0	\$ 1,026,911	\$ 1,543,939
Correction of Intergovernmental Payable GASB Bulletin No. 2004-2	<u>(3,443)</u>	<u>(58,751)</u>	<u>(67,744)</u>	<u>0</u>	<u>(2,470)</u>	<u>(132,408)</u>
<i>Restated Fund Balance, 12/31/04</i>	<u>\$ 562,669</u>	<u>\$ (76,186)</u>	<u>\$ (99,393)</u>	<u>\$ 0</u>	<u>\$ 1,024,441</u>	<u>\$ 1,411,531</u>

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance		
	<u>General</u>	<u>Police</u>	<u>Fire</u>
GAAP Basis	\$ (74,056)	\$ (29,237)	\$ (43,919)
Revenue accruals	(23,894)	188	0
Expenditure accruals	7,103	16,981	33,586
Encumbrances	<u>(14,383)</u>	<u>(5,943)</u>	<u>(100)</u>
Budget Basis	<u>\$ (105,230)</u>	<u>\$ (18,011)</u>	<u>\$ (10,433)</u>

NOTE 5: FUND DEFICITS

Fund balances at December 31, 2005 included the following individual fund deficits:

	<u>Deficit</u>
Major Funds:	
Police Fund	\$ 105,423
Fire Fund	143,312
St. Clair Paving	40,962
Non-Major Funds:	
Fawcett Project Fund	10,749

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

NOTE 6: DEPOSITS AND INVESTMENTS

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2005, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At fiscal year-end, the carrying amount of the City's deposits was \$1,568,303. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2005, \$1,598,981 of the City's bank balance of \$1,698,981 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2005, the City had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Repurchase Agreement	<u>\$ 2,485,000</u>	<u>\$ 2,485,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less for investments.

Credit Risk. The City's repurchase agreement is an unrated investment.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. At December 31, 2005, 100 percent of the City's investments were in repurchase agreements.

NOTE 7: TAXES

A. Property Taxes

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date, and were collected in 2005. Assessed values for real property are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2005 attached as a lien on December 31, 2004, were levied after October 1, 2004 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. 2005 tangible personal property taxes are levied after October 1, 2004, on the value listed as of December 31, 2004 and are collected in 2005. Tangible personal property assessments are 25 percent of true value.

The assessed value upon which the 2005 taxes were collected was \$103,073,110. Real estate represented 79 percent (\$81,060,520) of this total and tangible personal property represented 21 percent (\$22,012,590). The full tax rate for all City operations applied to taxable property for the year ended December 31, 2005 was \$37.30 per \$1,000 of assessed valuation.

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 7: TAXES (Continued)

Tangible personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by October 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of December 31, 2005 and for which there is an enforceable legal claim. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and as revenue, while on a modified accrual basis the revenue is deferred.

B. Income Tax

The City levies a tax of 1.5 percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, 7.5 percent of the income tax proceeds are credited to the capital projects fund and the remainder to the general fund. Total income tax collected for the year ending December 31, 2005 was \$2,797,032.

NOTE 8: RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, accounts (billings for user charged services including unbilled utility services), loans, special assessments, and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full. Special assessments are deemed collectible in full because the County will foreclose on the property in order to collect the full amount of outstanding property taxes and special assessments.

The special revenue funds reflect loans receivable of \$109,400. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. \$109,400 of the fund balance representing revolving loans receivable is reserved because it is not appropriable for expenditures, or is legally segregated for specific use.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2005 follows:

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 520,262	\$ 0	\$ 0	\$ 520,262
Construction in Progress	162,730	2,019,343	(2,123,974)	58,099
<i>Total Capital Assets Not Being Depreciated</i>	<u>682,992</u>	<u>2,019,343</u>	<u>(2,123,974)</u>	<u>578,361</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	334,179	0	0	334,179
Improvements other than buildings	277,918	20,383	0	298,301
Machinery and equipment	4,776,267	149,837	0	4,926,104
Infrastructure	1,528,245	2,172,122	0	3,700,367
<i>Total Capital Assets Being Depreciated</i>	<u>6,916,609</u>	<u>2,342,342</u>	<u>0</u>	<u>9,258,951</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	206,670	7,425	0	214,095
Improvements other than buildings	147,574	12,570	0	160,144
Machinery and equipment	4,235,681	182,690	0	4,418,371
Infrastructure	103,618	53,897	0	157,515
<i>Total Accumulated Depreciation</i>	<u>4,693,543</u>	<u>256,582</u> *	<u>0</u>	<u>4,950,125</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,223,066</u>	<u>2,085,760</u>	<u>0</u>	<u>4,308,826</u>
<i>Total Governmental Capital Assets, Net</i>	<u>\$ 2,906,058</u>	<u>\$ 4,105,103</u>	<u>\$(2,123,974)</u>	<u>\$ 4,887,187</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$ 47,221
Leisure time services	30,602
Security of persons and property	84,811
Transportation	93,517
Public health	431
Total	<u>\$ 256,582</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 9: CAPITAL ASSETS (Continued)

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 25,771	\$ 0	\$ 0	\$ 25,771
Construction in Progress	482,166	2,920,935	(3,079,858)	323,243
<i>Total Capital Assets Not Being Depreciated</i>	<u>507,937</u>	<u>2,920,935</u>	<u>(3,079,858)</u>	<u>349,014</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	4,008,957	1,990	0	4,010,947
Machinery and equipment	2,682,659	91,828	0	2,774,487
Infrastructure	5,630,709	3,079,858	0	8,710,567
Water Lines	1,159,926	0	0	1,159,926
Sewer Lines	2,505,379	0	0	2,505,379
<i>Total Capital Assets Being Depreciated</i>	<u>15,987,630</u>	<u>3,173,676</u>	<u>0</u>	<u>19,161,306</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	2,329,805	83,249	0	2,413,054
Machinery and equipment	1,982,022	178,927	0	2,160,949
Infrastructure	2,946,549	136,737	0	3,083,286
Water Lines	935,319	6,866	0	942,185
Sewer Lines	2,095,865	17,719	0	2,113,584
<i>Total Accumulated Depreciation</i>	<u>10,289,560</u>	<u>423,498</u>	<u>0</u>	<u>10,713,058</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>5,698,070</u>	<u>2,750,178</u>	<u>0</u>	<u>8,448,248</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$ 6,206,007</u>	<u>\$ 5,671,113</u>	<u>\$ (3,079,858)</u>	<u>\$ 8,797,262</u>

NOTE 10: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with various insurance companies to provide general liability insurance, property and fleet insurance, inland marine insurance, and crime insurance. These insurance policies vary in limits, deductibles and co-insurance. Claims have not exceeded coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 10: RISK MANAGEMENT (Continued)

The type of coverage and respective ranges are as follows:

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

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. *Ohio Public Employees Retirement System*

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement on public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$448,870, \$441,813 and \$468,632, respectively. The full amount has been contributed for 2004 and 2003. 89 percent has been contributed for 2005 with the remainder being reported as a liability in the statement of net assets.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 11.75 percent and 16.25 percent respectively for police officers and firefighters. The City's contributions to OP&F for police and firefighters were \$185,697 and \$244,072 for the year ended December 31, 2005, \$436,049 combined for 2004, and \$541,200 combined for 2003. The full amount has been contributed for 2004 and 2003 and 78 percent has been contributed for 2005.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967.

As of December 31, 2005, the unfunded liability of the City was \$915,507, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is presented as "Police and Fire Pension Payable" in the governmental activities columns of the statement of net assets.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

C. Medicare System:

All employees hired after April 1, 1986 are required to contribute to Medicare at a rate of 1.45 percent of their covered salary. The City of East Liverpool is required to contribute 1.45 percent also. It is paid bi-weekly with the employee's federal withholding by bank transfer within three working days of the pay date. There is a liability reported under intergovernmental payables in each fund for Medicare on the accrued wages only. All other contributions were paid for the year.

NOTE 12: POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2005 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants was 376,109. The City's actual contributions for 2005, which were used to fund postemployment benefits were \$132,506. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contributions rates increase as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$73,803 for police and \$138,780 for fire. The OP&F's total health care expenses for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 was 13,812 for police and 10,528 for firefighters.

NOTE 13: OTHER EMPLOYEE BENEFITS

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

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

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 14: COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 480 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 480 hours. As of December 31, 2005, the liability for unpaid compensated absences was \$709,273.

NOTE 15: LONG-TERM OBLIGATIONS

Changes in long-term obligations of the City during the year ended December 31, 2005 consisted of the following:

	Outstanding 1/1/2005	Additions	(Reductions)	Outstanding 12/31/2005	Amounts Due In One Year
Governmental Activities:					
General long-term obligations:					
General Obligation Bonds:					
Ohio Department of Transportation					
(ODOT) loan - street paving - 0%	\$ 502,155	\$ 0	\$ (60,000)	\$ 442,155	\$ 60,000
Obligations:					
1999 Ohio Public Works Commission					
(OPWC) loan - Downtown rehabilitation 0%	67,500	0	(15,000)	52,500	15,000
2002 Ohio Public Works Commission					
(OPWC) loan - State Route 39 - 0%	440,268	0	(23,798)	416,470	23,798
2004 St. Clair Paving SIB loan, 3.09%	41,879	935,319	0	977,198	0
2004 Cruisers - 5%	50,000	0	(16,170)	33,830	18,073
1999 Fawcett Project installment loan, 4.6%	61,123	0	(61,123)	0	0
1999 5th Street improvements, installment					
loan - 4.6%	46,831	0	(4,835)	41,996	5,153
2001 Bucket truck installment loan - 5.51%	36,132	0	(23,822)	12,310	12,310
2005 John Deer Skid	0	24,000	(12,000)	12,000	12,000
2005 SBC System	0	64,470	(3,947)	60,523	12,128
Capital leases:					
2000 Fire Truck	39,311	0	(39,311)	0	0
2002 Copier Mayor	427	0	(427)	0	0
2002 Copier Auditor	511	0	(511)	0	0
Compensated absences payable	830,889	0	(266,340)	564,549	0
Police and Fire pension payable	930,888	0	(15,381)	915,507	16,042
Total Governmental Long-Term Obligations	3,047,914	1,023,789	(542,665)	3,529,038	174,504

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

	Outstanding 1/1/2005	Additions	(Reductions)	Outstanding 12/31/2005	Amounts Due In One Year
Business-Type Activity:					
Obligations:					
1993 Ohio Public Works Commission (OPWC) loan - Pope St. and Thompson Ave. water tank - 0%	\$ 123,500	\$ 0	\$ (13,000)	\$ 110,500	\$ 13,000
2001 Ohio Public Works Commission (OPWC) loan - water line repairs - 0%	68,213	0	(4,263)	63,950	4,263
1985 Ohio Water Development Authority (OWDA) loan - water treatment plant - 9.78%	1,304,219	0	(153,318)	1,150,901	168,312
1994 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.77%	795,937	0	(65,308)	730,629	69,076
1996 Ohio Water Development Authority (OWDA) loan - clearwell and sludge facilities - 5.94%	30,614	0	(2,493)	28,121	2,641
1996 Ohio Water Development Authority (OWDA) loan - sewer project - 8.23%	808,141	0	(64,096)	744,045	69,372
2004 Ohio Water Development Authority (OWDA) loan - Water Tank & Service Pumps - 3.35%	408,697	2,834,547	0	3,243,244	0
2005 Water Truck	0	46,096	(11,106)	34,990	15,236
2001 Henry Avenue installment loan, 5.61%	114,199	0	(36,039)	78,160	38,064
2003 Backhoe installment loan, 3.25%	38,249	0	(11,026)	27,223	11,407
Compensated absences	244,663	0	(99,939)	144,724	0
Total business-type activity obligations	<u>3,936,432</u>	<u>2,880,643</u>	<u>(460,588)</u>	<u>6,356,487</u>	<u>391,371</u>
Total - All Fund Types	<u>\$ 6,984,346</u>	<u>\$ 3,904,432</u>	<u>\$ (1,003,253)</u>	<u>\$ 9,885,525</u>	<u>\$ 565,875</u>

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

In 2004 the City entered into a loan agreement for the water improvement project. The total amount authorized for this loan was \$3,892,758, and as of December 31, 2005, the City had drawn down \$3,243,233. Upon completion of the project, the loan will be repaid over a period of twenty years with no interest. Since the total amount of the loan has not been determined, it is not included in the following amortization schedule.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

The new SIB loan was issued for street repair of the St. Clair Avenue project for engineering fees. The total amount authorized for this loan was \$1,081,283, and as of December 31, 2005 the City had drawn down \$977,198. Upon completion of the project, the loan will be repaid over a period of ten years with no interest the first 12 months and 3 percent thereafter. Since the total amount of the loan has not been determined, it is not included in the following amortization schedule.

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

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

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

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

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

In 2005 the City received loan proceeds for the purchase of a water truck to be used by the City Water Department.

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

The City's overall legal debt margin was \$ 8,975,548 at December 31, 2005.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued)
DECEMBER 31, 2005

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

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

Years	Installment Loans		OPWC	ODOT	Police & Fire Pension		Total	
	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
2006	\$ 59,306	\$ 5,427	\$ 38,798	\$ 60,000	\$ 16,042	\$ 38,740	\$ 174,146	\$ 44,167
2007	35,175	3,644	38,798	60,000	16,731	38,042	150,704	41,686
2008	18,764	2,606	38,798	60,000	17,450	37,333	135,012	39,939
2009	18,553	1,816	31,298	60,000	18,201	36,584	128,052	38,400
2010	9,280	126	23,798	60,000	18,981	35,801	112,059	35,927
2011-2015	19,581	1,601	118,990	142,155	107,861	166,056	388,587	167,657
2016-2020	0	0	118,990	0	133,099	140,811	252,089	140,811
2021-2025	0	0	59,500	0	164,247	109,634	223,747	109,634
2026-2030	0	0	0	0	202,683	71,261	202,683	71,261
2031-2035	0	0	0	0	220,212	23,848	220,212	23,848
Totals	<u>\$ 160,659</u>	<u>\$ 15,220</u>	<u>\$ 468,970</u>	<u>\$ 442,155</u>	<u>\$ 915,507</u>	<u>\$ 698,110</u>	<u>\$ 1,987,291</u>	<u>\$ 713,330</u>

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

Years	Installment Loans		OPWC Loans	OWDA Loans		Total	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2006	\$ 64,707	\$ 5,340	\$ 17,263	\$ 309,401	\$ 217,620	\$ 391,371	\$ 222,960
2007	67,624	2,481	17,263	335,713	191,308	420,600	193,789
2008	8,042	63	17,263	364,346	162,675	389,651	162,738
2009	0	0	17,263	395,507	131,515	412,770	131,515
2010	0	0	17,263	429,425	97,596	446,688	97,596
2011-2015	0	0	66,820	819,304	117,359	886,124	117,359
2016-2020	0	0	21,315	0	0	21,315	0
Totals	<u>\$ 140,373</u>	<u>\$ 7,884</u>	<u>\$ 174,450</u>	<u>\$ 2,653,696</u>	<u>\$ 918,073</u>	<u>\$ 2,968,519</u>	<u>\$ 925,957</u>

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 16: CONTRACTUAL COMMITMENTS

As of December 31, 2005, the City had contractual commitments for the following projects:

	Contractual Commitment	Expended	Balance 12/31/2005
Moderali Excavating - Thompson Ave Storage Tank	\$ 290,743	\$ 289,743	\$ 1,000
DLZ Engineers - WTP Improvements Design	75,715	70,715	5,000
DLZ Engineers - WTP Improvements - Bidding Asst.	8,400	7,435	965
Dallis Dawson & Associates - St. Clair Ave.	109,734	108,534	1,200
Cleveland Asphalt - St. Clair Ave.	1,842,249	1,587,063	255,186
Natgun Corporation - Thompson Ave. Water Tank	2,761,405	2,483,627	277,778
Wood Electric, Inc. WTP	301,645	154,793	146,852
DLZ Engineers - WTP	49,000	43,574	5,426
DLZ Engineers - Thompson Ave. Water Tank	176,622	151,811	24,811
Totals	<u>\$ 5,615,513</u>	<u>\$ 4,897,295</u>	<u>\$ 718,218</u>

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

Columbiana Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2005. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of East Liverpool is responsible.

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas Counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of East Liverpool serves as the City's representative on the board. The board has total control over budgeting, personnel, and financial matters. Each member currently pays a per capita membership fee based upon the most recent United States Census. During 2005, OMEGA received \$1,963 from the City of East Liverpool for an annual fee. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

CITY OF EAST LIVERPOOL, OHIO

Notes to the Basic Financial Statements (Continued) DECEMBER 31, 2005

NOTE 18: CLOSURE AND POSTCLOSURE CARE COST

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

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

NOTE 19: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with term and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2005.

B. Litigation

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

NOTE 20: LEGAL COMPLIANCE

Contrary to Ohio Law, the City failed to properly certify expenditures as required by Ohio Revised Code Section 5705.41 (D), the City also failed to properly approve transfers of funds as required by Ohio Revised Code Section 5705.14. The City also had estimated revenues in excess of actual receipts contrary to the requirements of Ohio Revised Code Section 5705.36.

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**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-F-03-1151-1	14.228	\$39,950
	A-F-04-1151-1		78,230
Total Community Development Block			<u>118,180</u>
Home Investment Partnership Program	A-C-04-1151-1	14.239	48,963
	A-C-04-1152-2		181,966
Total Home Investment Partnership Program			<u>230,929</u>
Total U.S. Department of Housing and Urban Development			<u>349,109</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Development</i>			
Public Assistance Grant - Federal Emergency Management Agency		97.036	40,583
Total U.S. Department of Homeland Security			<u>40,583</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction		20.205	565,908
Total U.S. Department of Transportation			<u>565,908</u>
Total			<u><u>\$955,600</u></u>

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

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2005**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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

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



Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated October 22, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002 and 2005-003. In a separate letter to the City's management dated October 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

City of East Liverpool
Columbiana County
Independent Accountants' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

October 22, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the City Council:

Compliance

We have audited the compliance of the City of East Liverpool, Columbiana County, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005. In a separate letter to the City's management dated October 22, 2007, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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

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

Mary Taylor, CPA
Auditor of State

October 22, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505**

**CITY OF EAST LIVERPOOL
COLUMBIANA COUNTY
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2005-001

Ohio Revised Code, Section 5705.41 (D), requires that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

FINDING NUMBER 2005-001 – (Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made "then" at the time that the fiscal officer is completing the certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.
2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal office for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The City did not always encumber funds at the time of the commitment. We noted 9 out of 20 instances where expenditures tested were not properly encumbered. Incurring obligations prior to the fiscal officer's certification could result in the City spending more than appropriated.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify funds are or will be available prior to obligation by the City. When prior certification is not possible, "then and now" certification should be used.

We recommend the City certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2005-002

Ohio Rev. Code Section 5705.14 states that “no transfer can be made from one fund of a subdivision to any other fund, except as follows: money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.”

Transfers made at year end by the City Auditor, from the General Fund to the Police and Fire Funds in the amount totaling \$144,986 and \$161,908 respectively, did not have Council approval.

We recommend that the City implement policies and procedures requiring all transfers be approved by Council as required by Ohio Rev. Code Section 5705.14.

FINDING NUMBER 2005-003

Ohio Revised Code 5705.36(A)(2) states in part that all subdivisions are allowed to request an amended certificate of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Further, Ohio Revised Code Section 5705.36(A)(4) states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During our budgetary analysis, we found that the City had large negative variances between budgetary and actual revenues. We noted thirty seven out of fifty five funds had estimated receipts in excess of actual receipts at year end. The thirty seven funds had estimated receipts totaling \$ 23,571,355 and actual receipts totaling \$ 18,458,564, thus resulting in a negative variance totaling \$ 5,112,791.

We recommend that the City obtain estimated or reduced amended certificates when necessary in order to better analyze these variances to determine if appropriations exceed estimated resources.

Client Response: We did not receive a response from Officials for the findings listed above

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
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 24, 2008