



Rea & associates *a brighter way*

City of East Liverpool Columbiana County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2013



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of East Liverpool, Columbiana County, prepared by Rea & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 9, 2014

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Columbiana County, Ohio
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Columbiana County, Ohio
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July 30, 2014

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General fund, Police fund, Fire fund and Street Levy fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 3 of the financial statements, during 2013, the City restated the net position balances to correct prior period errors related to capital assets. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The management's discussion and analysis of the City of East Liverpool's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2013 are:

- The City's net position decreased by a little over \$2.0 million during 2013 due mainly to the write-off of \$1,597,522 in water utility accounts receivable as a result of the completion of the lawsuit/settlement with Buckeye Water as well as to higher contractual service expenditures. The decrease in net position was partially offset by a reduction in long-term liabilities due to the continued pay-down of debt obligations.
- In 2013, the City purchased several police and service vehicles, replaced building light fixtures and made various road improvements. The City also continued engineering and design work for the St. George water and sewer main replacement project in 2013.
- The City reduced its debt by \$283,136 in 2013 due to continued debt service payments.

Using This Financial Report

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

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

Reporting the City of East Liverpool as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Revenue and Expenses
- General Revenues
- Net Position Beginning of Year and Year's End

Reporting the City of East Liverpool's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 9. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to City residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of East Liverpool, the major funds are the general, police, fire, street levy, capital improvements, water, sewer and incinerator funds.

Governmental Funds

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

Proprietary Funds

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

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

City of East Liverpool, Ohio
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For the Year Ended December 31, 2013
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Fiduciary Funds

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

The City as a Whole

The *Statement of Net Position* looks at the City as a whole. Table 1 provides a summary of the City's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$5,285,207	\$5,493,311	\$7,296,995	\$9,376,479	\$12,582,202	\$14,869,790
Capital Assets, Net	10,323,568	10,046,632	8,230,855	8,246,472	18,554,423	18,293,104
<i>Total Assets</i>	<u>15,608,775</u>	<u>15,539,943</u>	<u>15,527,850</u>	<u>17,622,951</u>	<u>31,136,625</u>	<u>33,162,894</u>
Liabilities						
Current and Other Liabilities	753,204	730,728	454,493	347,423	1,207,697	1,078,151
Long-Term Liabilities:						
Due Within One Year	447,566	848,582	344,361	507,445	791,927	1,356,027
Due in More than One Year	2,149,006	2,042,699	3,081,462	3,016,361	5,230,468	5,059,060
<i>Total Liabilities</i>	<u>3,349,776</u>	<u>3,622,009</u>	<u>3,880,316</u>	<u>3,871,229</u>	<u>7,230,092</u>	<u>7,493,238</u>
Deferred Inflows of Resources						
	<u>1,122,154</u>	<u>810,258</u>	<u>0</u>	<u>0</u>	<u>1,122,154</u>	<u>810,258</u>
Net Position						
Net Investment in Capital Assets	8,648,919	8,207,930	4,857,927	4,791,708	13,506,846	12,999,638
Restricted:						
Capital Projects	317,011	346,442	0	0	317,011	346,442
Debt Service	136,668	46,077	0	0	136,668	46,077
Street Maintenance and Repair	444,717	387,505	0	0	444,717	387,505
Community Development	537,219	753,772	0	0	537,219	753,772
Other Purposes	310,508	229,071	0	0	310,508	229,071
Unclaimed Monies	1,750	1,581	0	0	1,750	1,581
Unrestricted	740,053	1,135,298	6,789,607	8,960,014	7,529,660	10,095,312
<i>Total Net Position</i>	<u>\$11,136,845</u>	<u>\$11,107,676</u>	<u>\$11,647,534</u>	<u>\$13,751,722</u>	<u>\$22,784,379</u>	<u>\$24,859,398</u>

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

Total current and other assets for business-type activities decreased due to the write-off of \$1,597,522 in water utility accounts receivable as a result of the completion of the lawsuit/settlement with Buckeye Water. Total current and other assets also decreased due to an increase in contractual service

City of East Liverpool, Ohio
Management's Discussion and Analysis
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expenditures in 2013. Net capital assets for business-type activities decreased due to annual depreciation. The decrease in long-term liabilities for business-type activities decreased due to the continued pay-down of long-term obligations.

Table 2 shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$928,772	\$960,691	\$4,774,435	\$4,698,087	\$5,703,207	\$5,658,778
Operating Grants and Contributions	922,653	1,474,426	37,373	1,215	960,026	1,475,641
Capital Grants and Contributions	154,252	927,650	0	0	154,252	927,650
<i>Total Program Revenues</i>	<u>2,005,677</u>	<u>3,362,767</u>	<u>4,811,808</u>	<u>4,699,302</u>	<u>6,817,485</u>	<u>8,062,069</u>
<i>General Revenues:</i>						
Property Taxes	1,052,310	924,678	0	0	1,052,310	924,678
Income Tax	3,167,126	3,250,188	0	0	3,167,126	3,250,188
Hotel Taxes	31,839	37,042	0	0	31,839	37,042
Grants and Entitlements not Restricted to Specific Programs	214,190	207,823	0	0	214,190	207,823
Interest	1,468	1,133	2,846	788	4,314	1,921
Gas Royalties	0	1,041,351	0	112,056	0	1,153,407
Other	28,089	89,858	51,295	113,333	79,384	203,191
<i>Total General Revenues</i>	<u>4,495,022</u>	<u>5,552,073</u>	<u>54,141</u>	<u>226,177</u>	<u>4,549,163</u>	<u>5,778,250</u>
<i>Total Revenues</i>	<u>6,500,699</u>	<u>8,914,840</u>	<u>4,865,949</u>	<u>4,925,479</u>	<u>11,366,648</u>	<u>13,840,319</u>
<i>Program Expenses:</i>						
General Government	1,459,794	1,407,781	0	0	1,459,794	1,407,781
Security of Persons and Property	3,128,784	3,041,493	0	0	3,128,784	3,041,493
Transportation	1,188,682	1,056,674	0	0	1,188,682	1,056,674
Public Health and Welfare	192,029	181,716	0	0	192,029	181,716
Leisure Time Activities	124,647	144,687	0	0	124,647	144,687
Community and Economic Development	334,869	605,269	0	0	334,869	605,269
Interest and Fiscal Charges	37,725	123,261	0	0	37,725	123,261
Business-Type Activities	0	0	5,377,615	4,951,564	5,377,615	4,951,564
<i>Total Program Expenses</i>	<u>6,466,530</u>	<u>6,560,881</u>	<u>5,377,615</u>	<u>4,951,564</u>	<u>11,844,145</u>	<u>11,512,445</u>
<i>Excess Revenues over (under) Expenses</i>	34,169	2,353,959	(511,666)	(26,085)	(477,497)	2,327,874
Special Item	0	1,018,000	(1,597,522)	5,182,000	(1,597,522)	6,200,000
Transfers	(5,000)	0	5,000	0	0	0
<i>Change in Net Position</i>	29,169	3,371,959	(2,104,188)	5,155,915	(2,075,019)	8,527,874
<i>Net Position Beginning of Year</i>	<u>11,107,676</u>	<u>7,735,717</u>	<u>13,751,722</u>	<u>8,595,807</u>	<u>24,859,398</u>	<u>16,331,524</u>
<i>Net Position End of Year</i>	<u>\$11,136,845</u>	<u>\$11,107,676</u>	<u>\$11,647,534</u>	<u>\$13,751,722</u>	<u>\$22,784,379</u>	<u>\$24,859,398</u>

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Governmental Activities

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

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

Operating grants decreased in 2013 due to a decrease in CHIP grants. Capital grants decreased significantly in 2013 due to a decrease in OPWC and ODOT grants.

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

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

Another major expense of the City in 2013 was transportation, or the street maintenance and repair department. There was an increase from 2012 due to the City performing more maintenance and repair projects in 2013. The street department employs 7 full time employees who provide the City and its citizens many services which include road salting, leaf and debris pickup, paint striping and alley profiling.

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

Table 3
Cost of Services

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2013	2012	2013	2012
General Government	\$1,459,794	\$1,407,781	\$833,577	\$729,393
Security of Persons and Property	3,128,784	3,041,493	2,855,533	2,739,384
Transportation	1,188,682	1,056,674	266,640	(494,605)
Public Health and Welfare	192,029	181,716	105,024	96,526
Leisure Time Activities	124,647	144,687	84,666	95,756
Community and Economic Development	334,869	605,269	277,688	(91,601)
Interest and Fiscal Charges	37,725	123,261	37,725	123,261
Total	\$6,466,530	\$6,560,881	\$4,460,853	\$3,198,114

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The City's Funds

The City of East Liverpool uses fund accounting as mandated by governmental legal requirements. The intent of accounting and reporting using this method is to demonstrate compliance with these finance related requirements. Information about the City's governmental funds begins on page 16.

Governmental Funds

The City's funds are accounted for using the modified accrual basis of accounting. The City focuses on its governmental funds to provide a financial picture on activities as they provide information on how the City did over a period of one year as well as where the City's funds stood at December 31, 2013. The information provided is useful to determine the City's available balances.

The City's major governmental funds are the general fund, police, fire and street levy special revenue funds, and the capital improvements capital projects fund. The general fund had a decrease in fund balance as a result of lower licenses and fees and an increase in transfers out due to an additional \$550,000 being transferred to the capital improvements fund to pay off the land property loan. The police and fire special revenue funds had increases in fund balance as expenditures remained consistent with the prior year and revenues plus other financing sources continued to outpace expenditures. The street levy fund had a decrease in fund balance due to property tax collections being delayed until 2014. The capital improvements capital projects fund had a decrease in fund balance due to a reduction in contributions and donations and other revenues.

Business-Type Funds

As mentioned earlier, the City's major business-type funds are water, sewer, and incinerator. The largest sources of operating revenue for these funds in 2013 were charges for services. In the water fund, increased operating expenditures as well as a special item relating to the write-off of utility accounts exceeded revenues resulting in a decrease in net position. The sewer and incinerator funds experienced an increase in charges for services revenue resulting in an increase to net position.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The general fund supports many major activities such as the legislative and executive, judicial, public health and planning activities. Some police, fire, and street activities are also funded with general fund dollars. By ordinance, these funds are transferred from the general fund to the police, fire, and street funds.

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

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows the 2013 balances of capital assets compared to 2012.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,820,262	\$1,820,262	\$25,771	\$25,771	\$1,846,033	\$1,846,033
Construction in Progress	26,394	824,121	341,138	7,869	367,532	831,990
Buildings and Improvements	165,701	172,089	1,212,295	1,261,386	1,377,996	1,433,475
Improvements other than Buildings	65,829	70,443	0	0	65,829	70,443
Machinery and Equipment	1,168,864	801,769	794,988	886,054	1,963,852	1,687,823
Infrastructure	7,076,518	6,357,948	5,110,348	5,287,184	12,186,866	11,645,132
Water Lines	0	0	348,373	359,147	348,373	359,147
Sewer Lines	0	0	397,942	419,061	397,942	419,061
Totals	\$10,323,568	\$10,046,632	\$8,230,855	\$8,246,472	\$18,554,423	\$18,293,104

Total governmental capital assets increased due to construction in progress, the addition of improvements other than buildings, the purchase of equipment and vehicles and the construction of various road improvements within the City. This increase was partially offset by annual depreciation. Total business-type capital assets decreased due to annual depreciation outpacing capital outlay. For additional information see Note 11 to the basic financial statements.

Debt

At December 31, 2013, outstanding debt is comprised of a tax anticipation note, installment loans, Ohio Public Works Commission (OPWC) loans, Ohio Water Development Authority (OWDA) loans, State Infrastructure Bank (SIB) loans, capital leases and police and fire pension liability. Table 5 summarizes all long-term debt outstanding.

City of East Liverpool, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Tax Anticipation Note	\$96,797	\$0	\$0	\$0	\$96,797	\$0
Installment Loans	58,156	91,200	276,713	302,683	334,869	393,883
OPWC Loans	321,527	327,901	36,343	53,606	357,870	381,507
OWDA Loans	0	0	2,961,257	3,024,199	2,961,257	3,024,199
ODOT Loan	0	16,763	0	0	0	16,763
SIB Loans	590,276	690,542	0	0	590,276	690,542
Land Property Loan	0	550,000	0	0	0	550,000
Capital Leases	592,180	162,296	98,615	74,276	690,795	236,572
Police and Fire Pension	766,124	787,658	0	0	766,124	787,658
Totals	\$2,425,060	\$2,626,360	\$3,372,928	\$3,454,764	\$5,797,988	\$6,081,124

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

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

For additional information see Notes 15 and 16 to the basic financial statements.

Current Financial Related Activities

In 2012, the City received \$4,428,850 in settlement monies from Buckeye Water. The final settlement agreement was reached in 2013, in which the City agreed to accept \$6,200,000 as total settlement payment. The City received the remaining settlement amount of \$1,771,150 in 2013.

During 2013, the City purchased several police and service vehicles as well as replaced building light fixtures. The City also continued engineering/design work for the St. George water and sewer main replacement project in 2013.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information contact the City Auditor, Kim Woomeer at 126 West 6th Street, East Liverpool, Ohio 43920, by telephone at (330) 385-4224, or by email at kimwoomeer2@comcast.net.

Basic Financial Statements

City of East Liverpool, Ohio

Statement of Net Position

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,491,216	\$6,480,576	\$7,971,792
Materials and Supplies Inventory	27,586	23,755	51,341
Accounts Receivable	167,867	753,735	921,602
Intergovernmental Receivable	886,946	0	886,946
Prepaid Items	84,235	38,929	123,164
Income Taxes Receivable	727,899	0	727,899
Property Taxes Receivable	1,830,422	0	1,830,422
Hotel Taxes Receivable	1,945	0	1,945
Loans Receivable	61,891	0	61,891
Special Assessments Receivable	5,200	0	5,200
Nondepreciable Capital Assets	1,846,656	366,909	2,213,565
Depreciable Capital Assets, Net	8,476,912	7,863,946	16,340,858
<i>Total Assets</i>	<u>15,608,775</u>	<u>15,527,850</u>	<u>31,136,625</u>
Liabilities			
Accounts Payable	56,020	76,985	133,005
Accrued Wages	79,453	43,223	122,676
Contracts Payable	26,394	50,000	76,394
Intergovernmental Payable	223,627	114,802	338,429
Matured Compensated Absences Payable	0	6,668	6,668
Accrued Interest Payable	21,955	52,001	73,956
Vacation Benefits Payable	233,134	110,814	343,948
Claims Payable	15,824	0	15,824
Notes Payable	96,797	0	96,797
Long-Term Liabilities:			
Due Within One Year	447,566	344,361	791,927
Due In More Than One Year	2,149,006	3,081,462	5,230,468
<i>Total Liabilities</i>	<u>3,349,776</u>	<u>3,880,316</u>	<u>7,230,092</u>
Deferred Inflows of Resources			
Property Taxes	1,122,154	0	1,122,154
Net Position			
Net Investment in Capital Assets	8,648,919	4,857,927	13,506,846
Restricted for:			
Capital Projects	317,011	0	317,011
Debt Service	136,668	0	136,668
Street Maintenance and Repair	444,717	0	444,717
Community Development	537,219	0	537,219
Other Purposes	310,508	0	310,508
Unclaimed Monies	1,750	0	1,750
Unrestricted	740,053	6,789,607	7,529,660
<i>Total Net Position</i>	<u>\$11,136,845</u>	<u>\$11,647,534</u>	<u>\$22,784,379</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants, Contributions and Assessments
Governmental Activities:				
General Government	\$1,459,794	\$625,875	\$342	\$0
Security of Persons and Property	3,128,784	128,590	144,661	0
Transportation	1,188,682	21,345	746,787	153,910
Public Health and Welfare	192,029	68,851	18,154	0
Leisure Time Activities	124,647	39,639	0	342
Community and Economic Development	334,869	44,472	12,709	0
Interest and Fiscal Charges	37,725	0	0	0
<i>Total Governmental Activities</i>	<u>6,466,530</u>	<u>928,772</u>	<u>922,653</u>	<u>154,252</u>
Business-Type Activities:				
Water	3,306,619	2,452,930	19,589	0
Sewer	1,096,711	1,310,225	10,130	0
Incinerator	928,024	973,310	7,085	0
Other Enterprise Funds	46,261	37,970	569	0
<i>Total Business-Type Activities</i>	<u>5,377,615</u>	<u>4,774,435</u>	<u>37,373</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$11,844,145</u>	<u>\$5,703,207</u>	<u>\$960,026</u>	<u>\$154,252</u>

General Revenues

Property Taxes Levied for:

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

Income Tax Levied for:

- General Purposes
- Capital Improvements

Hotel Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Special Item - Write-off of Utility Accounts

Transfers

Total General Revenues, Special Item and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$833,577)	\$0	(\$833,577)
(2,855,533)	0	(2,855,533)
(266,640)	0	(266,640)
(105,024)	0	(105,024)
(84,666)	0	(84,666)
(277,688)	0	(277,688)
(37,725)	0	(37,725)
<u>(4,460,853)</u>	<u>0</u>	<u>(4,460,853)</u>
0	(834,100)	(834,100)
0	223,644	223,644
0	52,371	52,371
0	(7,722)	(7,722)
<u>0</u>	<u>(565,807)</u>	<u>(565,807)</u>
<u>(4,460,853)</u>	<u>(565,807)</u>	<u>(5,026,660)</u>
181,654	0	181,654
689,378	0	689,378
69,361	0	69,361
24,003	0	24,003
87,914	0	87,914
2,929,800	0	2,929,800
237,326	0	237,326
31,839	0	31,839
214,190	0	214,190
1,468	2,846	4,314
28,089	51,295	79,384
<u>4,495,022</u>	<u>54,141</u>	<u>4,549,163</u>
0	(1,597,522)	(1,597,522)
(5,000)	5,000	0
<u>4,490,022</u>	<u>(1,538,381)</u>	<u>2,951,641</u>
29,169	(2,104,188)	(2,075,019)
<u>11,107,676</u>	<u>13,751,722</u>	<u>24,859,398</u>
<u>\$11,136,845</u>	<u>\$11,647,534</u>	<u>\$22,784,379</u>

City of East Liverpool, Ohio
Balance Sheet
Governmental Funds
December 31, 2013

	General	Police	Fire	Street Levy	Capital Improvements
Assets					
Equity in Pooled Cash and Cash Equivalents	\$552,203	\$27,735	\$22,817	\$10,681	\$56,182
Materials and Supplies Inventory	0	0	0	0	0
Accounts Receivable	167,867	0	0	0	0
Intergovernmental Receivable	74,816	14,606	46,033	30,175	0
Prepaid Items	30,245	19,685	16,932	0	0
Income Taxes Receivable	673,306	0	0	0	54,593
Property Taxes Receivable	252,918	61,692	948,445	365,240	0
Hotel Taxes Receivable	1,455	0	0	0	0
Loans Receivable	0	0	0	0	0
Special Assessments Receivable	0	0	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,750	0	0	0	0
<i>Total Assets</i>	<u>\$1,754,560</u>	<u>\$123,718</u>	<u>\$1,034,227</u>	<u>\$406,096</u>	<u>\$110,775</u>
Liabilities					
Accounts Payable	\$39,207	\$4,826	\$2,274	\$0	\$400
Accrued Wages	25,124	31,775	13,397	0	0
Contracts Payable	0	0	0	0	0
Intergovernmental Payable	71,130	80,859	48,409	0	0
Accrued Interest Payable	0	0	0	936	0
Notes Payable	0	0	0	96,797	0
<i>Total Liabilities</i>	<u>135,461</u>	<u>117,460</u>	<u>64,080</u>	<u>97,733</u>	<u>400</u>
Deferred Inflows of Resources					
Property Taxes	135,426	32,009	505,345	341,237	0
Unavailable Revenue	594,151	29,737	452,265	30,175	23,165
<i>Total Deferred Inflows of Resources</i>	<u>729,577</u>	<u>61,746</u>	<u>957,610</u>	<u>371,412</u>	<u>23,165</u>
Fund Balances					
Nonspendable	31,995	19,685	16,932	0	0
Restricted	0	0	0	0	87,210
Committed	0	0	0	0	0
Assigned	116,775	0	0	0	0
Unassigned (Deficit)	740,752	(75,173)	(4,395)	(63,049)	0
<i>Total Fund Balances (Deficit)</i>	<u>889,522</u>	<u>(55,488)</u>	<u>12,537</u>	<u>(63,049)</u>	<u>87,210</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,754,560</u>	<u>\$123,718</u>	<u>\$1,034,227</u>	<u>\$406,096</u>	<u>\$110,775</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2013*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$1,818,393
		<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,323,568
\$758,757	\$1,428,375	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
27,586	27,586	Delinquent Property Taxes	627,921
0	167,867	Income Taxes	308,864
721,316	886,946	Intergovernmental	704,714
17,373	84,235	Special Assessments	5,200
0	727,899	Fees, Licenses and Permits	154,033
202,127	1,830,422	Total	1,800,732
490	1,945	An internal service fund is used by management to charge the costs of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	44,877
61,891	61,891	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(21,019)
5,200	5,200	Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(233,134)
0	1,750	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
\$1,794,740	\$5,224,116	Installment Loans	(58,156)
		OPWC Loans	(321,527)
\$8,923	\$55,630	SIB Loans	(590,276)
9,157	79,453	Capital Leases	(592,180)
26,394	26,394	Compensated Absences	(268,309)
23,229	223,627	Police and Fire Pension	(766,124)
0	936	Total	(2,596,572)
0	96,797	<i>Net Position of Governmental Activities</i>	\$11,136,845
67,703	482,837		
108,137	1,122,154		
671,239	1,800,732		
779,376	2,922,886		
44,959	113,571		
909,526	996,736		
19,948	19,948		
0	116,775		
(26,772)	571,363		
947,661	1,818,393		
\$1,794,740	\$5,224,116		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Police	Fire	Street Levy	Capital Improvements
Revenues					
Property Taxes	\$158,744	\$36,467	\$573,658	\$24,003	\$0
Income Taxes	2,968,646	0	0	0	240,475
Hotel Taxes	24,294	0	0	0	0
Special Assessments	0	0	0	0	0
Intergovernmental	198,573	26,700	107,212	0	0
Interest	1,415	0	0	0	0
Fees, Licenses and Permits	343,181	0	25	0	0
Fines and Forfeitures	131,895	26,047	0	0	0
Charges for Services	7,944	45,250	0	0	0
Contributions and Donations	0	0	500	0	0
Other	3,051	177	3,250	0	7,630
<i>Total Revenues</i>	<u>3,837,743</u>	<u>134,641</u>	<u>684,645</u>	<u>24,003</u>	<u>248,105</u>
Expenditures					
Current:					
General Government	1,355,755	0	0	0	0
Security of Persons and Property	0	1,866,850	1,075,467	0	0
Transportation	0	0	0	86,116	0
Public Health and Welfare	149,971	0	0	0	0
Leisure Time Activities	105,951	0	0	0	0
Community and Economic Development	91,696	0	0	0	0
Capital Outlay	0	0	0	0	350,939
Debt Service:					
Principal Retirement	5,828	9,269	14,174	0	642,977
Interest and Fiscal Charges	1,468	11,693	21,884	936	32,094
<i>Total Expenditures</i>	<u>1,710,669</u>	<u>1,887,812</u>	<u>1,111,525</u>	<u>87,052</u>	<u>1,026,010</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,127,074</u>	<u>(1,753,171)</u>	<u>(426,880)</u>	<u>(63,049)</u>	<u>(777,905)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	0	0	308,424
OPWC Loans Issued	0	0	0	0	0
SIB Loans Issued	0	0	0	0	0
Transfers In	0	1,782,000	465,424	0	574,115
Transfers Out	(2,851,612)	0	0	0	(123,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,851,612)</u>	<u>1,782,000</u>	<u>465,424</u>	<u>0</u>	<u>759,539</u>
<i>Net Change in Fund Balances</i>	(724,538)	28,829	38,544	(63,049)	(18,366)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>1,614,060</u>	<u>(84,317)</u>	<u>(26,007)</u>	<u>0</u>	<u>105,576</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$889,522</u>	<u>(\$55,488)</u>	<u>\$12,537</u>	<u>(\$63,049)</u>	<u>\$87,210</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013*

Other Governmental Funds	Total Governmental Funds		
\$122,334	\$915,206	Net Change in Fund Balances - Total Governmental Funds	(\$628,332)
0	3,209,121	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
7,545	31,839	Governmental funds report capital outlays as expenditures.	
7,888	7,888	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
1,186,593	1,519,078	This is the amount by which capital outlay exceeded depreciation in the current period:	
53	1,468	Capital Asset Additions	816,124
34,087	377,293	Current Year Depreciation	(539,188)
176,144	334,086	Total	276,936
10,166	63,360	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
2,674	3,174	Delinquent Property Taxes	137,104
13,981	28,089	Income Taxes	(41,995)
1,561,465	6,490,602	Intergovernmental	(238,469)
		Special Assessments	(576)
		Fees, Licenses and Permits	154,033
		Total	10,097
30,164	1,385,919	Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
91,077	3,033,394		897,692
731,147	817,263	In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	
40,848	190,819		45,265
0	105,951	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:	
240,934	332,630	Vacation Benefits Payable	1,782
515,932	866,871	Compensated Absences	(3,388)
225,444	897,692	Total	(1,606)
14,915	82,990	Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:	
1,890,461	7,713,529	Inception of Capital Lease	(533,327)
(328,996)	(1,222,927)	OPWC Loans Issued	(17,424)
		SIB Loans Issued	(48,844)
224,903	533,327	Total	(599,595)
17,424	17,424	The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	
48,844	48,844		28,712
148,073	2,969,612		\$29,169
0	(2,974,612)	<i>Change in Net Position of Governmental Activities</i>	
439,244	594,595		
110,248	(628,332)		
837,413	2,446,725		
\$947,661	\$1,818,393		

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$170,200	\$147,200	\$146,924	(\$276)
Income Taxes	2,486,367	2,596,504	2,932,889	336,385
Hotel Taxes	21,000	21,000	29,793	8,793
Intergovernmental	196,703	196,703	198,326	1,623
Interest	1,000	1,000	1,415	415
Fees, Licenses and Permits	515,486	515,486	523,212	7,726
Fines and Forfeitures	138,000	138,000	133,820	(4,180)
Charges for Services	8,574	8,574	7,944	(630)
Other	13,371	13,371	3,051	(10,320)
<i>Total Revenues</i>	3,550,701	3,637,838	3,977,374	339,536
Expenditures				
Current:				
General Government	1,459,847	1,482,673	1,439,123	43,550
Public Health and Welfare	161,652	159,659	158,098	1,561
Leisure Time Activities	125,563	108,430	105,360	3,070
Community and Economic Development	115,940	100,532	91,265	9,267
Debt Service:				
Principal Retirement	5,828	5,828	5,828	0
Interest and Fiscal Charges	1,468	1,468	1,468	0
<i>Total Expenditures</i>	1,870,298	1,858,590	1,801,142	57,448
<i>Excess of Revenues Over Expenditures</i>	1,680,403	1,779,248	2,176,232	396,984
Other Financing Uses				
Transfers Out	(2,776,688)	(2,885,112)	(2,852,112)	33,000
Special Item				
Buckeye Water Settlement	1,018,000	1,018,000	1,018,000	0
<i>Net Change in Fund Balance</i>	(78,285)	(87,864)	342,120	429,984
<i>Fund Balance Beginning of Year</i>	47,587	47,587	47,587	0
Prior Year Encumbrances Appropriated	32,687	32,687	32,687	0
<i>Fund Balance (Deficit) End of Year</i>	\$1,989	(\$7,590)	\$422,394	\$429,984

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$34,920	\$34,920	\$34,972	\$52
Intergovernmental	17,051	31,625	32,117	492
Fines and Forfeitures	24,500	24,500	25,314	814
Charges for Services	45,000	45,000	34,000	(11,000)
Other	0	177	177	0
<i>Total Revenues</i>	<u>121,471</u>	<u>136,222</u>	<u>126,580</u>	<u>(9,642)</u>
Expenditures				
Current:				
Security of Persons and Property	1,888,582	1,950,582	1,925,901	24,681
Debt Service:				
Principal Retirement	9,269	9,269	9,269	0
Interest and Fiscal Charges	11,693	11,693	11,693	0
<i>Total Expenditures</i>	<u>1,909,544</u>	<u>1,971,544</u>	<u>1,946,863</u>	<u>24,681</u>
<i>Excess of Revenues Under Expenditures</i>	(1,788,073)	(1,835,322)	(1,820,283)	15,039
Other Financing Sources				
Transfers In	1,729,000	1,782,000	1,782,000	0
<i>Net Change in Fund Balance</i>	(59,073)	(53,322)	(38,283)	15,039
<i>Fund Balance Beginning of Year</i>	22,013	22,013	22,013	0
Prior Year Encumbrances Appropriated	39,066	39,066	39,066	0
<i>Fund Balance End of Year</i>	<u>\$2,006</u>	<u>\$7,757</u>	<u>\$22,796</u>	<u>\$15,039</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$549,486	\$549,486	\$549,933	\$447
Intergovernmental	77,438	105,220	107,212	1,992
Fees, Licenses and Permits	125	125	25	(100)
Contributions and Donations	1,000	1,000	1,000	0
Other	2,896	2,896	3,250	354
<i>Total Revenues</i>	<u>630,945</u>	<u>658,727</u>	<u>661,420</u>	<u>2,693</u>
Expenditures				
Current:				
Security of Persons and Property	1,045,968	1,100,830	1,084,095	16,735
Debt Service:				
Principal Retirement	14,174	14,174	14,174	0
Interest and Fiscal Charges	21,884	21,884	21,884	0
<i>Total Expenditures</i>	<u>1,082,026</u>	<u>1,136,888</u>	<u>1,120,153</u>	<u>16,735</u>
<i>Excess of Revenues Under Expenditures</i>	(451,081)	(478,161)	(458,733)	19,428
Other Financing Sources				
Transfers In	440,000	465,424	465,424	0
<i>Net Change in Fund Balance</i>	(11,081)	(12,737)	6,691	19,428
<i>Fund Balance Beginning of Year</i>	10,000	10,000	10,000	0
Prior Year Encumbrances Appropriated	3,593	3,593	3,593	0
<i>Fund Balance End of Year</i>	<u>\$2,512</u>	<u>\$856</u>	<u>\$20,284</u>	<u>\$19,428</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Levy Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Transportation	96,797	96,797	86,116	10,681
<i>Excess of Revenues Under Expenditures</i>	(96,797)	(96,797)	(86,116)	10,681
Other Financing Sources				
Tax Anticipation Notes Issued	96,797	96,797	96,797	0
<i>Net Change in Fund Balance</i>	0	0	10,681	10,681
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$10,681</u>	<u>\$10,681</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Assets						
<i>Current Assets:</i>						
Equity in Pooled Cash and Cash Equivalents	\$5,551,133	\$719,663	\$195,157	\$14,623	\$6,480,576	\$61,091
Accounts Receivable	376,730	226,746	150,259	0	753,735	0
Materials and Supplies Inventory	22,277	1,478	0	0	23,755	0
Prepaid Items	15,764	15,765	7,400	0	38,929	0
<i>Total Current Assets</i>	<u>5,965,904</u>	<u>963,652</u>	<u>352,816</u>	<u>14,623</u>	<u>7,296,995</u>	<u>61,091</u>
<i>Non-Current Assets:</i>						
Nondepreciable Capital Assets	228,241	138,668	0	0	366,909	0
Depreciable Capital Assets, Net	6,853,989	573,647	414,039	22,271	7,863,946	0
<i>Total Non-Current Assets</i>	<u>7,082,230</u>	<u>712,315</u>	<u>414,039</u>	<u>22,271</u>	<u>8,230,855</u>	<u>0</u>
<i>Total Assets</i>	<u>13,048,134</u>	<u>1,675,967</u>	<u>766,855</u>	<u>36,894</u>	<u>15,527,850</u>	<u>61,091</u>
Liabilities						
<i>Current Liabilities:</i>						
Accounts Payable	45,191	17,453	14,341	0	76,985	390
Contracts Payable	50,000	0	0	0	50,000	0
Accrued Wages	24,718	12,313	5,800	392	43,223	0
Intergovernmental Payable	59,681	37,292	16,368	1,461	114,802	0
Matured Compensated Absences Payable	6,668	0	0	0	6,668	0
Accrued Interest Payable	51,860	40	101	0	52,001	0
Vacation Benefits Payable	65,613	33,970	11,231	0	110,814	0
Installment Loans Payable	19,768	7,859	0	0	27,627	0
OPWC Loans Payable	10,763	0	0	0	10,763	0
OWDA Loans Payable	253,237	4,336	0	0	257,573	0
Capital Leases Payable	26,082	4,281	11,474	0	41,837	0
Compensated Absences Payable	6,561	0	0	0	6,561	0
Claims Payable	0	0	0	0	0	15,824
<i>Total Current Liabilities</i>	<u>620,142</u>	<u>117,544</u>	<u>59,315</u>	<u>1,853</u>	<u>798,854</u>	<u>16,214</u>
<i>Long-Term Liabilities (net of current portion):</i>						
Installment Loans Payable	227,914	21,172	0	0	249,086	0
OPWC Loans Payable	25,580	0	0	0	25,580	0
OWDA Loans Payable	2,574,280	129,404	0	0	2,703,684	0
Capital Leases Payable	48,095	630	8,053	0	56,778	0
Compensated Absences Payable	38,901	4,286	3,147	0	46,334	0
<i>Total Long-Term Liabilities</i>	<u>2,914,770</u>	<u>155,492</u>	<u>11,200</u>	<u>0</u>	<u>3,081,462</u>	<u>0</u>
<i>Total Liabilities</i>	<u>3,534,912</u>	<u>273,036</u>	<u>70,515</u>	<u>1,853</u>	<u>3,880,316</u>	<u>16,214</u>
Net Position						
Net Investment in Capital Assets	3,896,511	544,633	394,512	22,271	4,857,927	0
Unrestricted	5,616,711	858,298	301,828	12,770	6,789,607	44,877
<i>Total Net Position</i>	<u>\$9,513,222</u>	<u>\$1,402,931</u>	<u>\$696,340</u>	<u>\$35,041</u>	<u>\$11,647,534</u>	<u>\$44,877</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013*

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	\$2,452,930	\$1,310,225	\$973,310	\$37,970	\$4,774,435	\$213,374
Other	38,135	1,913	7,299	3,823	51,170	0
<i>Total Operating Revenues</i>	<u>2,491,065</u>	<u>1,312,138</u>	<u>980,609</u>	<u>41,793</u>	<u>4,825,605</u>	<u>213,374</u>
Operating Expenses						
Personal Services	1,390,571	684,295	504,122	31,123	2,610,111	0
Contractual Services	1,078,615	272,717	240,578	5,610	1,597,520	4,665
Materials and Supplies	397,021	73,457	97,989	4,953	573,420	0
Depreciation	318,010	53,308	80,967	1,780	454,065	0
Claims	0	0	0	0	0	179,997
Other	7,394	7,374	2,454	2,210	19,432	0
<i>Total Operating Expenses</i>	<u>3,191,611</u>	<u>1,091,151</u>	<u>926,110</u>	<u>45,676</u>	<u>5,254,548</u>	<u>184,662</u>
<i>Operating Income (Loss)</i>	<u>(700,546)</u>	<u>220,987</u>	<u>54,499</u>	<u>(3,883)</u>	<u>(428,943)</u>	<u>28,712</u>
Non-Operating Revenues (Expenses)						
Operating Grants	19,589	10,130	7,085	569	37,373	0
Interest	2,846	0	0	0	2,846	0
Loss on Disposal of Capital Assets	0	0	0	(585)	(585)	0
Other Non-Operating Revenues	0	0	0	125	125	0
Interest and Fiscal Charges	(115,008)	(5,560)	(1,914)	0	(122,482)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(92,573)</u>	<u>4,570</u>	<u>5,171</u>	<u>109</u>	<u>(82,723)</u>	<u>0</u>
<i>Income (Loss) before Special Item and Transfers</i>	<u>(793,119)</u>	<u>225,557</u>	<u>59,670</u>	<u>(3,774)</u>	<u>(511,666)</u>	<u>28,712</u>
Special Item - Write-off of Utility Accounts	(1,597,522)	0	0	0	(1,597,522)	0
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Change in Net Position</i>	<u>(2,208,724)</u>	<u>53,940</u>	<u>49,370</u>	<u>1,226</u>	<u>(2,104,188)</u>	<u>28,712</u>
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>11,721,946</u>	<u>1,348,991</u>	<u>646,970</u>	<u>33,815</u>	<u>13,751,722</u>	<u>16,165</u>
<i>Net Position End of Year</i>	<u>\$9,513,222</u>	<u>\$1,402,931</u>	<u>\$696,340</u>	<u>\$35,041</u>	<u>\$11,647,534</u>	<u>\$44,877</u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents						
Cash Flows from Operating Activities						
Cash Received from Customers	\$2,389,209	\$1,281,663	\$948,177	\$37,970	\$4,657,019	\$0
Cash Received from Interfund Services Provided	0	0	0	0	0	213,374
Other Cash Receipts	44,285	1,913	7,299	3,823	57,320	0
Non-Operating Revenues	0	0	0	125	125	0
Cash Payments to Employees for Services	(1,388,482)	(674,352)	(501,412)	(31,043)	(2,595,289)	0
Cash Payments for Goods and Services	(1,396,952)	(338,702)	(341,024)	(10,563)	(2,087,241)	(4,670)
Cash Payments for Claims	0	0	0	0	0	(197,636)
Other Cash Payments	(6,990)	(7,374)	(2,454)	(2,210)	(19,028)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(358,930)</u>	<u>263,148</u>	<u>110,586</u>	<u>(1,898)</u>	<u>12,906</u>	<u>11,068</u>
Cash Flows from Noncapital Financing Activities						
Operating Grants	19,589	10,130	7,085	569	37,373	0
Other Non-Operating Revenues	0	0	0	0	0	0
Buckeye Water Settlement	1,765,000	0	0	0	1,765,000	0
Transfers In	181,917	0	0	5,000	186,917	0
Transfers Out	0	(171,617)	(10,300)	0	(181,917)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>1,966,506</u>	<u>(161,487)</u>	<u>(3,215)</u>	<u>5,569</u>	<u>1,807,373</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities						
Proceeds from OWDA Loans	204,112	130,903	0	0	335,015	0
Principal Paid on Installment Loans	(18,593)	(7,377)	0	0	(25,970)	0
Interest Paid on Installment Loans	(15,398)	(2,095)	0	0	(17,493)	0
Principal Paid on OWDA Loans	(277,277)	(120,680)	0	0	(397,957)	0
Interest Paid on OWDA Loans	(99,487)	(8,442)	0	0	(107,929)	0
Principal Paid on OPWC Loan	(17,263)	0	0	0	(17,263)	0
Principal Paid on Capital Lease	(26,676)	0	(54,749)	0	(81,425)	0
Interest Paid on Capital Lease	(313)	0	(2,022)	0	(2,335)	0
Payments for Capital Acquisitions	(203,580)	(129,689)	0	0	(333,269)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(454,475)</u>	<u>(137,380)</u>	<u>(56,771)</u>	<u>0</u>	<u>(648,626)</u>	<u>0</u>
Cash Flows from Investing Activities						
Interest on Investments	2,846	0	0	0	2,846	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>1,155,947</u>	<u>(35,719)</u>	<u>50,600</u>	<u>3,671</u>	<u>1,174,499</u>	<u>11,068</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,395,186</u>	<u>755,382</u>	<u>144,557</u>	<u>10,952</u>	<u>5,306,077</u>	<u>50,023</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$5,551,133</u>	<u>\$719,663</u>	<u>\$195,157</u>	<u>\$14,623</u>	<u>\$6,480,576</u>	<u>\$61,091</u>

(continued)

City of East Liverpool, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2013

	Enterprise					Internal Service
	Water	Sewer	Incinerator	Other Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to						
Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	(\$700,546)	\$220,987	\$54,499	(\$3,883)	(\$428,943)	\$28,712
Adjustments:						
Depreciation	318,010	53,308	80,967	1,780	454,065	0
Non-Operating Revenues	0	0	0	125	125	0
<i>(Increase) Decrease in Assets:</i>						
Accounts Receivable	(57,571)	(28,562)	(25,133)	0	(111,266)	0
Prepaid Items	(3,476)	(3,477)	(1,621)	0	(8,574)	0
Materials and Supplies Inventory	9,419	1,882	0	0	11,301	0
<i>Increase (Decrease) in Liabilities:</i>						
Accounts Payable	23,715	3,867	(836)	(144)	26,602	(5)
Contracts Payable	50,000	0	0	0	50,000	0
Accrued Wages	4,429	1,549	444	85	6,507	0
Accrued Vacation Leave Payable	(6,725)	3,305	801	0	(2,619)	0
Matured Compensated Absences Payable	6,668	0	0	0	6,668	0
Compensated Absences Payable	(14,827)	0	(1,320)	0	(16,147)	0
Intergovernmental Payable	11,974	10,289	2,785	139	25,187	0
Claims Payable	0	0	0	0	0	(17,639)
<i>Total Adjustments</i>	<u>341,616</u>	<u>42,161</u>	<u>56,087</u>	<u>1,985</u>	<u>441,849</u>	<u>(17,644)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$358,930)</u>	<u>\$263,148</u>	<u>\$110,586</u>	<u>(\$1,898)</u>	<u>\$12,906</u>	<u>\$11,068</u>

Noncash Capital Financing Activities

During 2013, the Water and Sewer funds issued \$100,853 and \$4,911, respectively, for capital lease purchases.

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2013

Assets	
Equity in Pooled Cash and Cash Equivalents	\$21,000
Cash and Cash Equivalents in Segregated Accounts	<u>15,057</u>
<i>Total Assets</i>	<u><u>\$36,057</u></u>
 Liabilities	
Undistributed Monies	<u><u>\$36,057</u></u>

See accompanying notes to the basic financial statements

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 1 – Description of the City and Reporting Entity

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

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

Reporting Entity

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

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

The City is involved with the Columbiana Metropolitan Housing Authority and the Ohio Mid-Eastern Governments Association, which are defined as jointly governed organizations. These organizations are presented in Note 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

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

Fund Accounting

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

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

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Capital Improvements Fund The capital improvements fund accounts for and reports income taxes restricted for capital construction and the acquisition of capital assets.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following are the City's major proprietary funds:

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

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

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

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

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

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

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

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

Basis of Accounting

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

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, fees, licenses and permits, intergovernmental monies and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2013, investments were limited to repurchase agreements which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amounted to \$1,415, which includes \$1,140 assigned from other City funds.

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Restricted Assets

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance

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

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

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

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

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

Net Position

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

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

Operating Revenues and Expenses

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Interfund Activity

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

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

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. During 2013, the City wrote off water utility accounts receivable of \$1,597,522 due to the completion of the lawsuit/settlement with Buckeye Water. This transaction was recorded as a special item. The City also collected monies in 2013 for special items relating to the Buckeye Water settlement that were recorded as accruals in 2012.

Estimates

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

Budgetary Process

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

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

City of East Liverpool
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2013

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

Note 3 – Change in Accounting Principles and Restatement of Prior Year Net Position

Change in Accounting Principles

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB 14 and 34.” This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of the statement did not result in any change in the City’s financial statements.

Restatement of Prior Year Net Position

During the year, it was determined that governmental capital assets were overstated by \$149,766. This restatement decreased governmental activities net position at December 31, 2012 from \$11,257,442 to \$11,107,676.

During the year, it was determined that enterprise funds’ capital assets were overstated by \$113,736. This had the following effect on net position of the enterprise funds as previously reported:

	Water	Sewer	Incinerator	Other Enterprise Funds	Total Business-Type Activities
Net Position, December 31, 2012	\$ 11,814,823	\$ 1,349,898	\$ 666,922	\$ 33,815	\$ 13,865,458
Capital Assets	(92,877)	(907)	(19,952)	0	(113,736)
Adjusted Net Position, December 31, 2012	<u>\$ 11,721,946</u>	<u>\$ 1,348,991</u>	<u>\$ 646,970</u>	<u>\$ 33,815</u>	<u>\$ 13,751,722</u>

Note 4 – Accountability and Compliance

Fund Deficit

At December 31, 2013, the following funds had deficit fund balances:

Fund	Deficit
<i>Special Revenue Funds:</i>	
Police	\$ 55,488
Street Levy	63,049
Food Service	378
<i>Capital Projects Fund:</i>	
Neighborhood Paving	26,394

City of East Liverpool
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2013

The deficits in the special revenue funds are caused by the application of generally accepted accounting principles to these funds. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

Ohio Revised Code Section 135.18(A) requires that a public depository must provide security equal to the public funds on deposit at all times. The City's depository failed to have adequate pledged securities to secure all uninsured funds on deposit at year end.

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a restricted or assigned of fund balance (GAAP).
4. Unreported cash represents amounts received and/or spent but not included as revenue and/or expenditure on the budgetary statements, but is reported on the operating statements prepared using GAAP.
5. Budgetary revenues and expenditures of the playground fund are reclassified to the general fund for GAAP reporting.

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

	Net Change in Fund Balance			
	General	Police	Fire	Street Levy
GAAP Basis	(\$724,538)	\$28,829	\$38,544	(\$63,049)
Adjustment for Revenue Accruals	1,168,201	(8,061)	(23,225)	72,794
Ending Unrecorded Cash	(5,367)	0	0	0
Adjustment for Expenditure Accruals	28,581	(54,112)	(6,095)	936
Perspective Difference:				
Playground Fund	(500)	0	0	0
Adjustment for Encumbrances	(124,257)	(4,939)	(2,533)	0
Budget Basis	<u>\$342,120</u>	<u>(\$38,283)</u>	<u>\$6,691</u>	<u>\$10,681</u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

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

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

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,197,239 of the City's bank balance of \$4,447,479 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2013, the City had a repurchase agreement in the amount of \$3,668,613 with an investment maturity of less than one year.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

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

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

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

Note 7 - Receivables

Receivables at December 31, 2013, consisted primarily of municipal income taxes, property taxes, accounts, special assessments, loans, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables except for delinquent property taxes and loans receivable are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

Loans receivable presented in the other governmental funds represents a low interest loan for development projects and home improvements granted to eligible City residents under Federal Grant programs. The loan bears interest at an annual rate of five percent. The loan is to be repaid over fifteen years. Loans expected to be collected in more than one year are \$58,894.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

The full tax rate for all City operations for the year ended December 31, 2013, was \$12.60 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

	Assessed Value
Real Estate:	
Residential/Agricultural	\$58,620,810
Commercial/Industrial	22,014,990
Public Utility Personal Property	8,008,460
Total	\$88,644,260

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Municipal Income Taxes

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

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

Intergovernmental Receivable

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

Governmental Activities	Amount
CHIP Grants	\$308,545
Vehicle Registration	124,891
Gasoline Tax	114,739
Homestead and Rollback	101,493
Permissive Tax	83,678
Cents Per Gallon	58,827
Local Government	53,067
Municipal Court	16,880
Saint Clair Township	11,250
Personal Property Tax Reimbursement	8,229
Drug Enforcement Agency	3,124
Victim Witness Assistance Grant	1,218
State of Ohio	1,005
Total Intergovernmental Receivables	\$886,946

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2013, the City contracted with U.S. Specialty Insurance Company for its property and liability insurance. Cooper Insurance serves as the City's agent.

During 2013, the City purchased the following insurance coverage:

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

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

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

Employee Insurance Benefits

In mid-2012, the City elected to cover the deductible cost of medical insurance through a self-insured program. The maintenance of these benefits is accounted for in the internal service fund. The deductible amount for medical in 2013 was \$2,500 for single and \$5,000 for family. Incurred but not reported claims of \$15,824 have been accrued as a liability based on a review of January and February 2014 billings provided by the City Auditor's Office.

The claims liability of \$15,824 reported in the internal service fund at December 31, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount for 2012 and 2013 were:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$0	\$198,087	\$164,624	\$33,463
2013	33,463	179,997	197,636	15,824

Note 9 – Contingencies

Grants

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

Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

Note 10 – Other Employee Benefits

Compensated Absences

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

Insurance

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 11 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2013, was as follows:

	Restated Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$1,820,262	\$0	\$0	\$1,820,262
Construction in Progress	824,121	116,068	(940,189)	0
<i>Total Capital Assets, not being depreciated</i>	<u>2,644,383</u>	<u>116,068</u>	<u>(940,189)</u>	<u>1,820,262</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	439,315	0	0	439,315
Improvements other than Buildings	301,584	5,207	0	306,791
Machinery and Equipment	3,495,526	533,495	0	4,029,021
Infrastructure	7,968,309	1,075,149	0	9,043,458
<i>Total Capital Assets, being depreciated</i>	<u>12,204,734</u>	<u>1,613,851</u>	<u>0</u>	<u>13,818,585</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(267,226)	(6,388)	0	(273,614)
Improvements other than Buildings	(231,141)	(9,821)	0	(240,962)
Machinery and Equipment	(2,693,757)	(166,400)	0	(2,860,157)
Infrastructure	(1,610,361)	(356,579)	0	(1,966,940)
<i>Total Accumulated Depreciation</i>	<u>(4,802,485)</u>	<u>(539,188) *</u>	<u>0</u>	<u>(5,341,673)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>7,402,249</u>	<u>1,074,663</u>	<u>0</u>	<u>8,476,912</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$10,046,632</u>	<u>\$1,190,731</u>	<u>(\$940,189)</u>	<u>\$10,297,174</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$12,073
Security of Persons and Property	101,867
Transportation	401,093
Public Health and Welfare	1,210
Leisure Time Activities	19,988
Community and Economic Development	2,957
Total Depreciation Expense	<u>\$539,188</u>

City of East Liverpool, Ohio
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Capital asset activity for business-type activities for the year ended December 31, 2013, was as follows:

	Restated Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$25,771	\$0	\$0	\$25,771
Construction in Progress	7,869	333,269	0	341,138
<i>Total Capital Assets, not being depreciated</i>	<u>33,640</u>	<u>333,269</u>	<u>0</u>	<u>366,909</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	4,102,003	9,543	0	4,111,546
Machinery and Equipment	3,887,198	96,221	(900)	3,982,519
Infrastructure	9,132,493	0	0	9,132,493
Water Lines	1,355,262	0	0	1,355,262
Sewer Lines	2,675,379	0	0	2,675,379
<i>Total Capital Assets, being depreciated</i>	<u>21,152,335</u>	<u>105,764</u>	<u>(900)</u>	<u>21,257,199</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(2,840,617)	(58,634)	0	(2,899,251)
Machinery and Equipment	(3,001,144)	(186,702)	315	(3,187,531)
Infrastructure	(3,845,309)	(176,836)	0	(4,022,145)
Water Lines	(996,115)	(10,774)	0	(1,006,889)
Sewer Lines	(2,256,318)	(21,119)	0	(2,277,437)
<i>Total Accumulated Depreciation</i>	<u>(12,939,503)</u>	<u>(454,065)</u>	<u>315</u>	<u>(13,393,253)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>8,212,832</u>	<u>(348,301)</u>	<u>(585)</u>	<u>7,863,946</u>
<i>Business-Type Activities</i>				
<i>Capital Assets, Net</i>	<u>\$8,246,472</u>	<u>(\$15,032)</u>	<u>(\$585)</u>	<u>\$8,230,855</u>

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

Water	\$318,010
Sewer	53,308
Incinerator	80,967
Off Street Parking	1,649
Swimming Pool	131
Total	<u>\$454,065</u>

Note 12 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

City of East Liverpool, Ohio
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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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$408,749, \$319,900 and \$318,442, respectively. For 2013, 91.86 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$3,005 made by the City and \$2,146 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24.0 percent, respectively, for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, through May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers

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and 19.31 percent of covered payroll for firefighters. For June 1, 2013, through December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$152,810 and \$136,234 for the year ended December 31, 2013, \$123,157 and \$117,570 for the year ended December 31, 2012, and \$123,270 and \$116,863 for the year ended December 31, 2011, respectively. For 2013, 92.37 percent for police and 91.70 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2013, the unfunded liability of the City was \$766,124 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 13 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

City of East Liverpool, Ohio
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Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$31,442, \$127,960, and \$127,377, respectively. For 2013, 91.86 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Firemen Pension Fund

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available of OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

City of East Liverpool, Ohio
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The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, through May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, through December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$34,795 and \$24,172 for the year ended December 31, 2013, \$65,201 and \$46,006 for the year ended December 31, 2012, and \$65,261 and \$45,729 for the year ended December 31, 2011. For 2013, 92.37 percent has been contributed for police and 91.70 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

Note 14 - Conduit Debt Obligations

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

As of December 31, 2013, there were two series of Hospital Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$24,845,000 and an original issue amount of \$33,990,000.

Note 15 – Note Debt

A summary of note transactions for the year ended December 31, 2013 follows:

	Balance 12/31/2012	Additions	Reductions	Balance 12/31/2013
Governmental Activities				
2013 - 2.90% Tax Anticipation Note	\$0	\$96,797	\$0	\$96,797

The City issued a \$96,797 tax anticipation note for the purpose of paying current expenses for street maintenance and repair. The tax anticipation note will be paid from the street levy special revenue fund with property tax revenue. The note is backed by the full faith and credit of the City of East Liverpool and matures within one year.

City of East Liverpool, Ohio
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Note 16 - Long-Term Obligations

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

	Balance 12/31/2012	Issued	Retired	Balance 12/31/2013	Amounts Due In One Year
Governmental Activities					
Installment Loans:					
2007 Aerial Fire Truck - 5.95%	\$40,874	\$0	(\$7,364)	\$33,510	\$7,821
2009 Snow Removal - 4.80%	20,957	0	(10,694)	10,263	10,263
2009 Cruisers - 4.80%	11,738	0	(5,990)	5,748	5,748
2009 Air Compressor - 4.80%	17,631	0	(8,996)	8,635	8,635
<i>Total Installment Loans</i>	<u>91,200</u>	<u>0</u>	<u>(33,044)</u>	<u>58,156</u>	<u>32,467</u>
Ohio Public Works Commission Loans:					
2003 State Route 39 Improvement Loan - 0.00%	249,881	0	(23,798)	226,083	23,798
2012 St. Clair Avenue Improvement Loan - 0.00%	78,020	17,424	0	95,444	9,544
<i>Total Ohio Public Works Commission Loans</i>	<u>327,901</u>	<u>17,424</u>	<u>(23,798)</u>	<u>321,527</u>	<u>33,342</u>
Ohio Department of Transportation Loan:					
1990 Highway 30 Loan - 3.00%	16,763	0	(16,763)	0	0
State Infrastructure Bank Loans:					
2004 St. Clair Paving Loan - 3.00%	302,727	0	(149,110)	153,617	153,617
2011 Road Improvements Loan - 3.00%	387,815	48,844	0	436,659	49,984
<i>Total State Infrastructure Bank Loans</i>	<u>690,542</u>	<u>48,844</u>	<u>(149,110)</u>	<u>590,276</u>	<u>203,601</u>
Land Property Loans:					
2012 Property Loan Payable to CIC - 6.25%	455,000	0	(455,000)	0	0
2012 Property Loan Payable to CIC - 0.25%	95,000	0	(95,000)	0	0
<i>Total Land Property Loans</i>	<u>550,000</u>	<u>0</u>	<u>(550,000)</u>	<u>0</u>	<u>0</u>
Capital Leases:					
2009 Copier - 6.28%	1,714	0	(1,062)	652	652
2011 Copier - 6.27%	6,105	0	(1,909)	4,196	2,032
2011 Copier - 6.10%	11,148	0	(2,538)	8,610	2,697
2012 Copier - 7.62%	11,256	0	(2,228)	9,028	2,404
2012 Police Interceptor - 5.65%	54,856	0	(21,020)	33,836	22,238
2012 Street Truck - 6.20%	46,059	0	(10,498)	35,561	11,148
2012 Fire Truck - 6.65%	31,158	0	(15,078)	16,080	16,080
2013 Street Sweeper - 2.95%	0	224,903	(14,581)	210,322	29,811
2013 K-9 Police Cruiser - 6.50%	0	33,025	(11,708)	21,317	10,323
2013 Police Cruisers - 6.00%	0	64,661	(22,821)	41,840	20,311
2013 Digital Radio System - 3.93%	0	205,531	0	205,531	38,002
2013 Light Fixtures - 12.00%	0	5,207	0	5,207	0
<i>Total Capital Leases</i>	<u>162,296</u>	<u>533,327</u>	<u>(103,443)</u>	<u>592,180</u>	<u>155,698</u>
Compensated Absences	264,921	92,356	(88,968)	268,309	0
Police and Fire Pension	787,658	0	(21,534)	766,124	22,458
Total Governmental Activities	<u>\$2,891,281</u>	<u>\$691,951</u>	<u>(\$986,660)</u>	<u>\$2,596,572</u>	<u>\$447,566</u>

City of East Liverpool, Ohio
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	Balance 12/31/2012	Issued	Retired	Balance 12/31/2013	Amounts Due In One Year
Business-Type Activities					
Installment Loans:					
2007 Anderson Boulevard Water Loan - 6.25%	\$52,012	\$0	(\$10,539)	\$41,473	\$11,227
2007 Anderson Boulevard Sewer Loan - 6.25%	36,408	0	(7,377)	29,031	7,859
2009 Bradshaw Water Loan - 5.81%	214,263	0	(8,054)	206,209	8,541
<i>Total Installment Loans</i>	<u>302,683</u>	<u>0</u>	<u>(25,970)</u>	<u>276,713</u>	<u>27,627</u>
Ohio Public Works Commission Loans:					
1993 Pope Street/Thompson Avenue					
Water Tank Water Loan - 0.00%	19,500	0	(13,000)	6,500	6,500
2001 Henry Avenue Waterline Water Loan - 0.00%	34,106	0	(4,263)	29,843	4,263
<i>Total Ohio Public Works Commission Loans</i>	<u>53,606</u>	<u>0</u>	<u>(17,263)</u>	<u>36,343</u>	<u>10,763</u>
Ohio Water Development Authority Loans:					
1994 Project #3099 Water Loan - 5.94%	154,869	0	(102,297)	52,572	52,572
1996 Project #3100 Water Loan - 5.94%	5,991	0	(3,956)	2,035	2,035
2004 Project #4181 Water Loan - 3.35%	2,734,775	0	(171,024)	2,563,751	176,802
1996 Project #1548 Sewer Loan - 5.96%	120,680	0	(120,680)	0	0
2013 Project #6489 Water Loan - 2.00%	5,047	204,112	0	209,159	21,828
2013 Project #6488 Sewer Loan - 2.59%	2,837	130,903	0	133,740	4,336
<i>Total Ohio Water Development Authority Loans</i>	<u>3,024,199</u>	<u>335,015</u>	<u>(397,957)</u>	<u>2,961,257</u>	<u>257,573</u>
Capital Leases:					
2008 Garbage Trucks Incinerator Lease - 4.07%	43,962	0	(43,962)	0	0
2010 Trash Compactor Incinerator Lease - 6.19%	30,314	0	(10,787)	19,527	11,474
2013 Backhoe Water Lease - 2.55%	0	96,221	(24,971)	71,250	23,155
2013 Light Fixtures Water Lease - 12.00%	0	4,632	(1,705)	2,927	2,927
2013 Light Fixtures Sewer Lease - 12.00%	0	4,911	0	4,911	4,281
<i>Total Capital Leases</i>	<u>74,276</u>	<u>105,764</u>	<u>(81,425)</u>	<u>98,615</u>	<u>41,837</u>
Compensated Absences	69,042	26,750	(42,897)	52,895	6,561
Total Business-Type Activities	<u>\$3,523,806</u>	<u>\$467,529</u>	<u>(\$565,512)</u>	<u>\$3,425,823</u>	<u>\$344,361</u>

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

A line of credit has been established with the Ohio State Infrastructure Bank (SIB) for a total amount of \$490,136 for various road improvements within the City. As of December 31, 2013, only \$436,659 of governmental proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

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

City of East Liverpool, Ohio
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A line of credit has been established with the Ohio Water Development Authority in the amount of \$530,896 for the St. George waterline replacement design project (Project #6489 Water loan). As of December 31, 2013, only \$209,159 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

A line of credit has been established with the Ohio Water Development Authority in the amount of \$225,394 for the St. George main replacement design project (Project #6488 Sewer loan). As of December 31, 2013, only \$133,740 of business-type proceeds has been received and a loan payment schedule has not been finalized; therefore, the repayment schedule is not included in the schedule of debt service requirements. Until a final repayment schedule is available, the City is paying based on estimates.

The City has pledged future revenues, net of operating expenses, to repay OPWC and OWDA loans in the City of East Liverpool water fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2013, principal and interest payments on the loans exceeded net revenues. The total principal and interest remaining to be paid on the debt is \$3,437,902. Interest remaining to be paid on the St. George waterline replacement design project loan has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$394,027 and (\$360,101), respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the City of East Liverpool sewer fund. The debt is payable solely from net revenues and are payable through 2033. Annual principal and interest payments on the debt issues are expected to require less than 46 percent of net revenues. The total principal remaining to be paid on the debt is \$133,740. Total interest remaining to be paid on the debt has not been calculated due to the loan payment schedule not being finalized. Principal and interest paid for the current year and total net revenues were \$129,122 and \$284,425, respectively.

The City also has fourteen capital leases. The street truck and street sweeper capital leases will be paid from the street capital improvement fund. The copier capital leases will be paid from the general fund and the police special revenue fund. The police cruisers, fire truck and digital radio system capital leases will be paid from the capital improvements capital projects fund. The light fixtures capital lease will be paid from the capital improvements capital projects fund, water fund and sewer fund. The trash compactor business-type activities' capital lease will be paid from the incinerator fund. The backhoe business-type activities' capital lease will be paid from the water fund.

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

As of December 31, 2013, the City's overall legal debt margin was \$8,332,014 and the unvoted legal debt margin was \$3,899,801. Principal and interest requirements to retire the outstanding debt at December 31, 2013, are as follows:

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

	Governmental Activities				
	Installment Loans		OPWC Loans	SIB Loan	
	Principal	Interest	Principal	Principal	Interest
2014	\$32,467	\$2,402	\$33,342	\$153,617	\$3,465
2015	8,306	1,322	33,343	0	0
2016	8,818	810	33,343	0	0
2017	8,565	260	33,343	0	0
2018	0	0	33,342	0	0
2019-2023	0	0	154,814	0	0
Totals	\$58,156	\$4,794	\$321,527	\$153,617	\$3,465

	Business-Type Funds				
	Installment Loans		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2014	\$27,627	\$15,837	\$10,763	\$231,409	\$87,583
2015	29,388	14,075	4,264	182,774	78,445
2016	31,225	12,237	4,263	188,948	72,270
2017	19,623	10,421	4,263	195,331	65,888
2018	10,802	9,657	4,263	201,930	59,289
2019-2023	64,617	37,678	8,527	1,116,694	189,401
2024-2028	86,692	15,602	0	501,272	21,166
2029	6,739	81	0	0	0
Totals	\$276,713	\$115,588	\$36,343	\$2,618,358	\$574,042

Note 17 – Capital Leases

In prior years, the City entered into capital leases for four copiers, police interceptor vehicles, a street truck and a fire truck in the governmental activities and a trash compactor in the business-type activities. In 2013, the City entered into capital leases for police cruisers, a K-9 police cruiser, a street sweeper, a digital radio system and light fixtures in the governmental activities and a backhoe and light fixtures in the business-type activities. These lease obligations meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements and on the proprietary statement of fund net position. Capital lease payments are reflected as debt service expenditures in the various funds on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

	Governmental Activities	Business-Type Activities
Asset:		
Improvements other than Buildings	\$5,207	\$9,543
Machinery and Equipment	738,609	149,261
Less: Accumulated Depreciation	(61,886)	(23,614)
Current Book Value	\$681,930	\$135,190

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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

	Governmental Activities	Business-type Activities
2014	\$179,538	\$45,404
2015	155,317	33,885
2016	101,373	24,971
2017	83,121	0
2018	81,867	0
2019 - 2020	53,691	0
Total Minimum Lease Payments	654,907	104,260
Less: Amount representing interest	(62,727)	(5,645)
Present Value of Minimum Lease Payments	<u>\$592,180</u>	<u>\$98,615</u>

Note 18 – Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>				Total
	General	Capital Improvements	Sewer	Incinerator	
Police	\$1,782,000	\$0	\$0	\$0	\$1,782,000
Fire	465,424	0	0	0	465,424
Capital Improvements	574,115	0	0	0	574,115
Other Governmental Funds	25,073	123,000	0	0	148,073
Water	0	0	171,617	10,300	181,917
Other Enterprise Funds	5,000	0	0	0	5,000
Grand Total	<u>\$2,851,612</u>	<u>\$123,000</u>	<u>\$171,617</u>	<u>\$10,300</u>	<u>\$3,156,529</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed. The transfers from the general fund were to subsidize police, fire, and street operations of the City, as well as the victim witness assistance program, Broadway Wharf and swimming pool operations. The transfer to the capital improvements fund from the general fund was made to pay off the land property loan with monies received from the Buckeye Water settlement. The transfer to the debt service fund from the capital improvements fund was to account for that fund's portion of debt obligations. The transfers from the sewer and incinerator enterprise funds to the water fund were for billing reimbursements.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 19 - Jointly Governed Organizations

Columbiana Metropolitan Housing Authority (the Authority)

The Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of East Liverpool, one member is appointed by the Columbiana County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The board exercises total control over the Authority's operations including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the board. The City did not contribute any amounts to the Authority during 2013. Information can be obtained from 325 Moore Street, East Liverpool, Ohio 43920.

Ohio Mid-Eastern Governments Association (OMEGA)

OMEGA is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. A county commissioner serves as the County's representative on the board. The board has total control over budgeting, personnel and financial matters. Each member's degree of control is limited to its representation on the board. Each member currently pays a per capita membership fee based on the most recent United States census. During 2013, OMEGA received \$1,679 from the City of East Liverpool for an annual fee. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

Note 20 – Closure and Post-closure Care Cost

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

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

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

Note 21 – Fund Balances

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

Fund Balances	General	Police	Fire	Street Levy	Capital Improvements	Other Governmental Funds	Total
<u>Nonspendable:</u>							
Inventory	\$0	\$0	\$0	\$0	\$0	\$27,586	\$27,586
Prepays	30,245	19,685	16,932	0	0	17,373	84,235
Unclaimed Monies	1,750	0	0	0	0	0	1,750
<i>Total Nonspendable</i>	<u>31,995</u>	<u>19,685</u>	<u>16,932</u>	<u>0</u>	<u>0</u>	<u>44,959</u>	<u>113,571</u>
<u>Restricted:</u>							
Transportation	0	0	0	0	0	187,828	187,828
Public Safety	0	0	0	0	0	101,297	101,297
Police Pension	0	0	0	0	0	5,443	5,443
Fire Pension	0	0	0	0	0	5,436	5,436
Economic Development	0	0	0	0	0	251,809	251,809
Court Computerization	0	0	0	0	0	13,940	13,940
Probation Services	0	0	0	0	0	68,700	68,700
Debt Service	0	0	0	0	0	91,123	91,123
Capital Improvements	0	0	0	0	87,210	183,950	271,160
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,210</u>	<u>909,526</u>	<u>996,736</u>
<u>Committed:</u>							
Economic Development	0	0	0	0	0	19,948	19,948
<u>Assigned:</u>							
Recreation	1,935	0	0	0	0	0	1,935
Purchases on Order	114,840	0	0	0	0	0	114,840
<i>Total Assigned</i>	<u>116,775</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>116,775</u>
Unassigned (Deficit)	<u>740,752</u>	<u>(75,173)</u>	<u>(4,395)</u>	<u>(63,049)</u>	<u>0</u>	<u>(26,772)</u>	<u>571,363</u>
Total Fund							
Balance (Deficit)	<u>\$889,522</u>	<u>(\$55,488)</u>	<u>\$12,537</u>	<u>(\$63,049)</u>	<u>\$87,210</u>	<u>\$947,661</u>	<u>\$1,818,393</u>

City of East Liverpool
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2013

Note 22 – Significant Commitments

Contractual Commitments

As of December 31, 2013, the City had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid to Date	Remaining Contract
Dallis Dawson and Associates	\$ 133,700	\$ 77,636	\$ 56,064
Utility Contracting Inc.	595,269	220,852	374,417
	\$ 728,969	\$ 298,488	\$ 430,481

Remaining commitment amounts were encumbered at year-end.

Encumbrances

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

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$ 124,257	Water	\$ 300,049
Police	4,939	Sewer	30,620
Fire	2,533	Incinerator	22,632
Capital Improvements	9,020	Total Proprietary	\$ 353,301
Other Governmental Funds	200,790		
Total Governmental	\$ 341,539		

Note 23 – Subsequent Events

On June 2, 2014 the City issued \$278,136 in installment loans for street paving. The loans are to be repaid with Street tax levy revenues.

City of East Liverpool, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2013

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July 30, 2014

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Liverpool, Columbiana County, Ohio (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2014, in which we noted the City restated net position to correct prior period errors related to capital assets.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

City of East Liverpool
Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page 2 of 2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2013-002 and 2013-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2013-004.

The City's Responses to Findings

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

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings
December 31, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-001

Material Weakness – Cash Reconciliations

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

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

Cause: The factors that resulted in the control weakness are a lack of ability to reconcile book transactions to bank activity in a timely manner and the absence of supervisory review over the bank reconciliation in the City Treasurer’s Office.

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

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

Management’s Response: The City will develop procedures that will allow for complete and timely cash reconciliation. The updated procedures will be fully implemented in time for our next audit.

Finding Number: 2013-002

Significant Deficiency – Segregation of Duties

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

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings (Continued)
December 31, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number: 2013-002 (continued)

Condition: While obtaining an understanding of internal controls within the Auditor’s Office, we noted that the Deputy Auditor prepares and posts journal entries to the accounting system with no evidence of oversight from the City Auditor. In addition, we noted the Deputy Auditor tried to help complete the 2013 bank reconciliation in 2014, with no evidence of oversight from the City Treasurer.

Cause: The factors that resulted in the control weakness are a lack of segregation of duties and sufficient oversight of the activities performed within the City Auditor’s office.

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

Recommendation: To improve segregation of duties, the City Auditor should provide appropriate oversight of all memo, journal and correcting entries posted to the general ledgers for proper purpose, account distribution, and amount. The bank reconciliation should be reviewed and approved by the City Treasurer evidenced by signature and date each month. The City Treasurer should pay particular attention to the source of the reconciling items. This process is important since the person reconciling the bank statement is also the person making the adjusting journal entries.

Management’s Response: The City is adopting updated procedures that will properly segregate duties and ensure timely and adequate supervision over reconciling and posting adjustments. The updated procedures will be fully implemented in time for our next audit.

Finding Number: 2013-003

Significant Deficiency – Vendor Verification

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

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

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

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

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings (Continued)
December 31, 2013

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

Finding Number: 2013-003 (continued)

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

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

Finding Number: 2014-004

Material Noncompliance

Criteria: Ohio Rev. Code Section 135.18(A) states “the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 or 135.145 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

Condition: Upon review of the pledged securities statement from the City’s bank, we noted approximately \$2,576,925 of the City’s deposits were not properly collateralized or covered by federal deposit insurance.

Cause: As of December 31, 2013, the bank had pledged securities with a market value of \$1,620,314, while the City’s deposits in excess of federal deposit insurance coverage amounted to \$4,197,239.

Cause: As of December 31, 2013, the bank had pledged securities with a market value of \$1,620,314, while the City’s deposits in excess of federal deposit insurance coverage amounted to \$4,197,239.

Effect: In the event of a bank failure, the City may not be able to recover deposits which are not covered by insurance or properly collateralized.

City of East Liverpool
Columbiana County, Ohio
Schedule of Findings (Continued)
December 31, 2013

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

Finding Number: 2013-004 (continued)

Recommendation: The Treasurer should request that the bank increase the amount of pledge securities in order to be in compliance with Ohio Rev. Code Section 135.18. We also recommend the Treasurer continue to monitor pledged securities in relation to deposit amounts in order to minimize the City's exposure to loss in the event of a bank failure.

Management's Response: The City will work with the bank to make sure adequate securities are pledged at all times. The Treasurer will continue to monitor pledged securities throughout the year to ensure City deposits are properly collateralized.

City of East Liverpool
Columbiana County, Ohio
Schedule of Prior Audit Findings
December 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2012-001	Internal controls over capital assets	No	Partially corrected, reduced to management letter
2012-002	Cash reconciliations not performed properly	No	Repeated as Finding 2013-001
2012-003	Segregation of Duties	No	Repeated as Finding 2013-002
2012-004	Vendor Verification	No	Repeated as Finding 2013-003
2012-005	Internal Controls over Payroll	Yes	
2012-006	Ineffective cash management practices related to CDBG grant	N/A	2013 did not require a single audit. Therefore, these 2012 grant findings were not followed up on but will be next single audit.
2012-007	Internal controls over allowability relating to HOME grant	N/A	2013 did not require a single audit. Therefore, these 2012 grant findings were not followed up on but will be next single audit.

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Dave Yost • Auditor of State

CITY OF EAST LIVERPOOL

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**