

***CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT  
CORPORATION  
COLUMBIANA COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2012***







# Dave Yost • Auditor of State

Board of Trustees  
City of East Liverpool Community Improvement Corporation  
126 East 6th Street  
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the City of East Liverpool Community Improvement Corporation, Columbiana County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Community Improvement Corporation is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

July 29, 2013

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**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION**  
**COLUMBIANA COUNTY, OHIO**  
**Audit Report**  
**For the Year Ended December 31, 2012**

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***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

City of East Liverpool Community Improvement Corporation  
Columbiana County  
126 East 6<sup>th</sup> Street  
East Liverpool, Ohio 43920

To the Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the City of East Liverpool Community Improvement Corporation, Columbiana County, Ohio (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

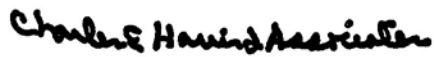
We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of East Liverpool Community Improvement Corporation, Columbiana County, Ohio, as of December 31, 2012, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2013, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Corporation's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
May 5, 2013

City of East Liverpool Community Improvement Corporation

Statement of Financial Position

December 31, 2012

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents (Note 1)	\$ 91,270
Accounts Receivable	120
Current Maturities of Notes Receivable	<u>13,841</u>
<b>Total Current Assets</b>	<b>105,231</b>

**Property and Equipment:**

Land	<u>37,410</u>
<b>Total Property and Equipment</b>	<b>37,410</b>

**Other Assets**

Loan Receivable	633,692
Less: Current Maturities of Notes Receivable	<u>(13,841)</u>
<b>Total Other Assets</b>	<b>619,851</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 762,492</u></b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Deferred Loan Revenue	\$ 43,376
Deferred Lease Revenue	<u>1,050</u>
<b>Total Current Liabilities</b>	<b>44,426</b>

**Long Term Liabilities**

Note Payable	<u>\$ 455,000</u>
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<b>Total Liabilities</b>	<b>\$ 499,426</b>
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**Net Assets:**

Unrestricted	<u>263,066</u>
<b>Total Net Assets</b>	<b>263,066</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 762,492</u></b>

See accompanying Notes to the Financial Statements.



**City of East Liverpool Community Improvement Corporation**

**Statement of Activities**

**For the Year Ended December 31, 2012**

<b>Operating Revenue:</b>	
<b>Tenant Rental</b>	<b>\$ 175,242</b>
<b>Licenses, Permits and Fees</b>	
<b>Total Operating Revenue</b>	<b>175,242</b>
<b>Operating Expenses (Note 7)</b>	<b>1,646</b>
<b>Change in Net Assets Before Other Revenues and Deductions</b>	<b>173,596</b>
<b>Other Revenue:</b>	
<b>Interest Income</b>	<b>1,209</b>
<b>Total Other Revenue</b>	<b>1,209</b>
<b>Other Deductions:</b>	
<b>Contribution to the City of East Liverpool</b>	<b>120</b>
<b>Total Other Deductions</b>	<b>120</b>
<b>Change in Net Assets</b>	<b>174,685</b>
<b>Net Assets - Beginning of Year</b>	<b>88,381</b>
<b>Net Assets - End of Year</b>	<b>\$ 263,066</b>

**See accompanying Notes to the Financial Statements.**

**City of East Liverpool Community Improvement Corporation**

**Statement of Cash Flows**

**For the Year Ended December 31, 2012**

**Cash flows from operating activities:**

Lease Income Received	\$ 174,642
Cash Paid to Suppliers & Employers	<u>(1,766)</u>
Net cash provided by operating activities	<u>172,876</u>

**Cash flows from financing activities:**

Loan proceeds	455,000
Loan payments made	(550,000)
Interest received	4,662
Interest on loan	<u>(11,223)</u>
Net cash used in financing activities	<u>(101,561)</u>

Net Increase (Decrease) in Cash and Cash Equivalent	71,315
Beginning of Period Cash	<u>19,955</u>

End of Period Cash	<u><u>\$ 91,270</u></u>
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**Reconciliation of change in net assets to net cash provided by operating activities:**

Increase (decrease) in net assets	\$ 173,596
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**Adjustments to reconcile change in net assets to net cash provided by operating activities:**

Increase (decrease) in deferred revenue	<u>(720)</u>
Net cash provided by operating activities	<u><u>\$ 172,876</u></u>

**See accompanying Notes to the Financial Statements.**

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

The City of East Liverpool Community Improvement Corporation (Corporation) was incorporated on December 29, 1981 as a non-designated Community Improvement Corporation under the laws of the State of Ohio. The purpose of the City of East Liverpool Community Improvement Corporation is to advance, encourage and promote the industrial, economic, commercial and civic development in the City of East Liverpool.

**B. BASIS OF ACCOUNTING**

The Corporation has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America.

**C. LAND**

Land is recorded at cost.

**D. CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows and for presentation of the Balance Sheet, cash and cash equivalents consist principally of checking and savings accounts.

**E. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Values assigned to donated land are based on independent outside appraisers for all parcels in excess of \$5,000.

**F. REVENUE RECOGNITION**

Tenant rental revenues are recognized during the period of occupancy. Expenses are recognized as incurred.

**G. FEDERAL INCOME TAX**

The Corporation is exempt from filing federal income taxes as an Instrumentality under Section 115 Chapter a 1 b of the Internal Revenue Code.

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

**2. LEASES**

The Corporation leases its land to the East Liverpool Youth Soccer League. The Lease is for 15 years and commenced in 1999. Under the terms of the lease the lessee maintains the property, makes all improvements, and pays all real estate taxes. The lessee is also required to maintain liability insurance of \$1,100,000. The lease total is \$1.

The Corporation also serves as the leasing agent for certain properties owned by the City of East Liverpool. Under terms of the agreement between the Corporation and the City of East Liverpool the Corporation keeps all rents collected which are used for Corporation operations. The Corporation currently manages three leases under this agreement.

A. Babbs Island Boat Club – Lease period is for 20 years and commenced in 1993. Under the terms of the lease the lessee is required to pay annual rents of \$120, maintain liability insurance in the amount of \$500,000 and save harmless the lessor from any and all liability during the lease period.

B. Ohio Valley Boating Club – Lease period is for 20 years and commenced in 1993. Under the terms of the lease the lessee is required to pay annual rents of \$120, maintain liability insurance in the amount of \$500,000 and save harmless the lessor from any and all liability during the lease period.

C. Parsons Coal Lease – the original lease period was for five years and commenced in 1999. The lease was renewed in September 2010 for an additional five years. Under the terms of the lease the lessee is required to pay \$600 per year.

**3. MINIMUM RENTS UNDER NON-CANCELABLE OPERATING LEASE**

Rents for equipment under non-cancelable operating leases are as follows:

2013	\$ 840
2014	<u>600</u>
Total	<u>\$ 1,440</u>

**4. RISK MANAGEMENT**

The City of East Liverpool has obtained commercial insurance for the following risks:

- Comprehensive Property and General Liability
- Errors and omissions

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

**5. LOANS RECEIVABLE**

Loan receivable consists of the following:

Loan receivable – Farnsworth Engineering Uncollateralized, 4% interest due in monthly installments of \$380 including interest with final payment due in 2016	\$16,088
Loan receivable – Thomas A. Wycoff Uncollateralized, 4% interest due in monthly installments of \$219 including interest with final payment due in 2014	8,432
Loan receivable – Tee Party, Inc. Uncollateralized, 4% interest due in monthly installments of \$158 including interest with final payment due in 2013	4,572
Less current maturities	<u>(13,841)</u>
Total Loans Receivable	<u>\$15,251</u>

**6. NOTES RECEIVABLE**

On July 31, 2012 the Corporation entered into three note agreements with the City of East Liverpool. The terms are as follows:

Date of Note	7/31/2012	7/31/2012	7/31/2012
Amount of Note	\$455,000	\$95,000	\$54,600
Interest Rate	0.25%	0.25%	0.25%
Maturity	7/31/2014	7/31/2014	7/31/2014

**7. NOTES PAYABLE**

On July 25, 2012 the Corporation borrowed \$455,000 from the 1<sup>st</sup> National Community Bank. The loan requires only interest payments until the maturity date. The terms are as follows:

Amount	\$455,000
Interest Rate	6%
Maturity	July 25, 2014

**8. CONTINGENT LIABILITES**

Management believes there are no pending claims or lawsuits.

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2012**

**9. OPERATING EXPENSES**

Operating expenses consisted of the following:

Accounting services	\$ 1,482
Other	<u>164</u>
Total operating expenses	<u>\$ 1,646</u>

**10. SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 5, 2013, the date on which the financial statements were available to be issued.

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

The Board of Directors of  
City of East Liverpool Community Improvement Corporation  
East Liverpool, Ohio

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the City of East Liverpool Community Improvement Corporation (the Corporation), a nonprofit organization, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

***Compliance and Other Matters***

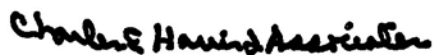
As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
May 5, 2013



**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2012-001 – Material Weakness**

The City of East Liverpool Community Improvement Corporation (the Corporation) utilizes an outside accountant to compile the Corporation's financial statements annually. During 2012, the Corporation's accountant erroneously recorded several transactions causing the financial statements to be materially misstated. The more significant adjustments are as follows:

- Exclusion of a bank account held by the Corporation.
- Failed to record change in deferred revenue accounts.
- Cash flow statement did not include all activity for the year.

Adjustments were made in the financial statements and the Corporation's records to reflect the proper presentation.

We recommend that Corporation management carefully review the financial statements prepared by the accountant to ensure accuracy. Also, management should communicate all activity to the accountant, such as new bank accounts opened or closed or debt issued during the year to ensure completeness of all cash and investments.

**Management Response:**

Management has read and understands the recommendations that the auditors have made regarding a careful review of the financial statements to ensure accuracy and to communicate all activity to the accountant.

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# Dave Yost • Auditor of State

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 8, 2013**