

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

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2014***







# 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 Auditors' 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 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

May 13, 2015

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**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY, OHIO  
Audit Report  
For the Year Ended December 31, 2014**

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

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' 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, 2014, 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.

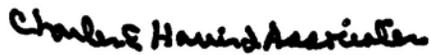
We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***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, 2014, 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 February 26, 2015, 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.***  
February 26, 2015

City of East Liverpool Community Improvement Corporation

Statement of Financial Position

For the Year Ended December 31, 2014

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents (Note 1)	\$	57,415
Current Maturities of Notes Receivable		<u>12,662</u>
<b>Total Current Assets</b>		<b>70,077</b>

**Property and Equipment:**

Land		1,440,182
Equipment		1,368
Less: Allowance for Depreciation		<u>(548)</u>
<b>Total Property and Equipment</b>		<b>1,441,002</b>

**Other Assets**

Loan Receivable		56,919
Less: Current Maturities of Notes Receivable		<u>(12,662)</u>
<b>Total Other Assets</b>		<b>44,257</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,555,336</u></b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Current Portion of Long-Term Debt	\$	8,475
<b>Total Current Liabilities</b>		<b><u>8,475</u></b>

<b>Long-Term Debt - Net of Current Portion</b>		<b><u>31,559</u></b>
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<b>Total Liabilities</b>	<b>\$</b>	<b>40,034</b>
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**Net Assets:**

Unrestricted		215,302
Temporarily Restricted (Note 8)		<u>1,300,000</u>
<b>Total Net Assets</b>		<b>1,515,302</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>1,555,336</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, 2014**

<b>Operating Revenue:</b>	
<b>Rental and Lease</b>	<b>\$ 11,112</b>
<b>Total Operating Revenue</b>	<b><u>11,112</u></b>
<b>Operating Expenses (Note 7)</b>	<b><u>7,623</u></b>
<b>Change in Net Assets Before Other Revenues and Deductions</b>	<b>3,489</b>
<b>Other Revenue:</b>	
<b>Interest Income</b>	<b>1,859</b>
<b>Total Other Revenue</b>	<b><u>1,859</u></b>
<b>Other Deductions:</b>	
<b>Interest Payment on Loan</b>	<b>1,458</b>
<b>Total Other Deductions</b>	<b><u>1,458</u></b>
<b>Change in Net Assets</b>	<b>3,890</b>
<b>Net Assets - Beginning of Year</b>	<b><u>1,511,412</u></b>
<b>Net Assets - End of Year</b>	<b><u><u>\$ 1,515,302</u></u></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, 2014**

**Cash Flows from Operating Activities:**

<b>Changes in Net Assets:</b>	<b>\$ 3,890</b>
<b>Net Cash Provided (Used) by Operating Activities:</b>	
Depreciation	274
Increase in Deferred Lease Revenue	(600)
	<hr/>
<b>Net Cash (Used) by Operating Activities</b>	<b>3,564</b>
<b>Cash Flow from Investment Activities:</b>	
Loan Payments Received	11,311
New Loans Disbursed	(33,842)
Capital Land Improvements	(94,042)
	<hr/>
<b>Net Cash (Used) by Investing Activities</b>	<b>(116,573)</b>
<b>Cash Flow from Financing Activities:</b>	
Loan Proceeds	45,450
Loan Payments	(5,416)
	<hr/>
<b>Net Cash Provided by Financing Activities</b>	<b>40,034</b>
<b>Net Increase in Cash</b>	<b>(72,975)</b>
<b>Beginning of Period Cash</b>	<b>130,390</b>
	<hr/>
<b>End of Period Cash</b>	<b>\$ 57,415</b>
	<hr/> <hr/>

**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, 2014**

**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. PROPERTY AND EQUIPMENT**

The Corporation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donated properties are reported as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained: the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service or purpose of restrictions no longer exist, whichever is later. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from five to thirty years.

**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 and highly liquid debt instruments with an original maturity of 3 months or less.

**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 or other reasonable basis.

**F. REVENUE RECOGNITION**

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

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. BAD DEBT**

The Corporation uses a direct write-off method for bad debts. Bad debts are recognized by the administration at the time it is considered uncollectable.

**H. 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.

**2. LEASES**

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 two leases under this agreement.

**A. 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.

**B. SBA 2012 TC Assets, LLC** – Land for cell tower lease period is for five years ending June 30, 2018 which will renew automatically for five additional terms of five years each, unless lessee notifies the Corporation. Monthly rental fees will commence at \$860.93 for the first year and will increase by 3% each year afterward.

**3. RISK MANAGEMENT**

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

- Comprehensive Property and General Liability
- Errors and omissions

**4. LOANS RECEIVABLE**

Loan receivable consists of the following:

Loan receivable – Farnsworth Engineering Uncollateralized, 4% interest due in monthly installments of \$380.17 including interest with final payment due in 2016	\$10,801
Loan receivable – Brian Kerr Uncollateralized, 5% interest due in monthly installments of \$339.68 including interest with final payment due in 2018	13,154
Loan receivable – Tee Party, Inc. Uncollateralized, 4% interest due in monthly installments of \$157.57 including interest with final payment due in 2014	2,982

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014**

**4. LOANS RECEIVABLE (continued)**

Loan receivable – Tommie Beagle, Power Fitness, Uncollateralized, 4% interest due in monthly installments of \$233.52 including interest, with final payment due in 2018	\$8,642
Loan receivable – One Day At a Time Club, Uncollateralized, 4% interest due in monthly installments of \$103.33 including interest, with final payment due in 2017	2,937
Loan receivable – WILLIAMGD, Inc. Uncollateralized, 4% interest due in monthly installments of \$312.90 including interest, with final payment due in 2020	<u>18,403</u>
Less current maturities	<u>(12,662)</u>
Total Loans Receivable	<u>\$44,257</u>

**5. CAPITAL ASSETS**

The CIC's property and equipment consist of the following at December 31, 2014:

Land	\$ 1,440,182
Equipment	1,368
Less: accumulated depreciation	<u>(548)</u>
Total	<u>\$ 1,441,002</u>

The CIC's land was donated by the City of East Liverpool.

**6. CONTINGENT LIABILITES**

Management believes there are no pending claims or lawsuits.

**7. OPERATING EXPENSES**

Operating expenses consisted of the following:

Accounting services	\$ 2,653
Property expenses	2,933
Property taxes	1,677
Depreciation	274
Other	<u>86</u>
Total operating expenses	<u>\$ 7,623</u>

**CITY OF EAST LIVERPOOL COMMUNITY IMPROVEMENT CORPORATION  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2014**

**8. RESTRICTED NET ASSETS**

Temporary restrictions on net assets at the end of 2014 are related to the donated land given to the Corporation by the City of East Liverpool.

Donations of property are recorded as contributions at their estimated fair value. The City of East Liverpool acquired the property in 2009 for the amount of \$1,300,000. The Corporation has valued the property at the same amount as its acquisition price by the City.

The donation and transfer of property was in accordance with Ordinance #69 of 2013 and approved on September 26, 2013. The ordinance contained the following restriction: "WHEREAS, the City of East Liverpool wishes to authorize the Community Improvement Corporation to develop said property for use, as determined by the legislative authority and those that will promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, and assist in the development of industrial, commercial, distribution and research activities to the benefit of the people of the political subdivision and provide additional opportunities for their gainful employment." The property was transferred on December 6, 2013.

**9. 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 February 26, 2015, the date on which the financial statements were available to be issued.

On September 4, 2014 the Corporation signed a grant award with the U.S department of Agriculture (USDA) for the amount of \$99,000. The purpose of the grant is to increase funds available for the Corporation's ongoing small business revolving loan program. Grant monies are only forwarded onto the Corporation upon the approval of a loan.

Grant income is not recognized until such time as monies are drawn down. There was no activity from this grant in 2014. Management expects activity on this grant to commence in 2015.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

To the Board of Trustees:

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), Columbiana County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated February 26, 2015.

*Internal Controls 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.

*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 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

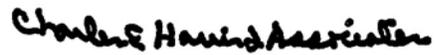
*Compliance and Other Matters*

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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

*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.

A handwritten signature in black ink that reads "Charles E. Harris" followed by "Associates" in a smaller, less legible script.

**Charles E. Harris and Associates, Inc.**  
February 26, 2015



# 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  
MAY 26, 2015**