



Dave Yost • Auditor of State

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Highland County Community Improvement Corporation
Highland County
100 North High Street
Hillsboro, Ohio 45133

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, 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 that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the 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 such 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 overall financial statement presentation.

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

Basis for Qualified Opinion

Management did not provide documentation to support certain Statement of Financial Position accounts: Deposits-HCC and Deposits HCHD. We cannot reasonably determine the correct amount of the related liabilities.

Qualified Opinion

In our opinion, except for the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, and the changes in financial position thereof for the year then ended in accordance with 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 April 18, 2016, 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.



Dave Yost
Auditor of State

Columbus, Ohio

April 18, 2016

Highland County Community Improvement Corporation

Statement of Financial Position

As of December 31, 2014

Assets	
Current Assets	
Checking/Savings	
Merchants	\$64,353
Savings Account	17,048
Total Checking/Saving	<u>81,401</u>
Accountns Receivable	48,463
Total Current Assets	<u>129,864</u>
Fixed Assets	
Accumulated Depreciation	(405,458)
Land	158,662
Real Estate	1,213,326
Real Estate - Unit #2	344,966
Real Estate - Hospital	1,058,314
Total Fixed Assets	<u>2,369,810</u>
<i>Total Assets</i>	<u><u>\$2,499,674</u></u>
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts Payable	\$19,670
Deposits - HCC	223,067
Deposits - HCHD	71,867
Current portion of Long-Term Liabilities	117,612
Total Current Liabilities	<u>432,216</u>
Long-Term Liabilities	
Loan 6401/86769	132,623
Loan 84654	605,156
Loan RLF	88,009
Less: Current Portion	(117,612)
Total Long-Term Liabilities	<u>708,176</u>
Total Liabilities	<u>1,140,392</u>
Net Assets	
Unrestricted Net Assets	1,359,282
Total Net Assets	<u>1,359,282</u>
Total Liabilities and Net Assets	<u><u>\$2,499,674</u></u>

See accompanying notes to the basic financial statements.

Highland County Community Improvement Corporation

Statement of Activities

For the twelve months ending December 2014

Income	
Building Rent	(\$9,622)
Condo Fee	323,360
Electric	7,264
Interest Income	88
Lease	127,812
Space Rental	5,477
	<hr/>
<i>Total Income</i>	454,379
Expenses	
Audit	1,107
Bank Service Charges	3
Building Administration	0
Building Management	22,546
Contract Services Labor	4,270
Depreciation Expense	57,136
Insurance	7,020
Interest Expense	38,547
Janitorial	9,702
Pest Control	1,045
Postage	0
Professional Fees	1,445
Property Maintenance	10,784
Property Tax	24,595
Repairs and Maintenance	25,024
Trash Removal	5,438
Utilities	169,393
Other	83
	<hr/>
<i>Total Expenses</i>	378,138
	<hr/>
<i>Net Income</i>	\$76,241
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Highland County Community Improvement Corporation

Statement of Cash Flows

For the twelve months ending December 2014

Operating Activities	
Net Income	\$76,241
Depreciation	57,136
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	(39,280)
Construction Costs - WIP	0
Accounts Payable	15,007
Other Liabilities	0
	<hr/>
<i>Net Cash Provided by (Used in)</i> <i>Operating Activities</i>	<hr/> 109,104
Investing Activities	
Real Estate purchases and improvements	0
	<hr/>
<i>Net Cash Provided by (Used in)</i> <i>Investing Activities</i>	<hr/> 0
Financing Activities	
Principal payments on loans	(125,314)
	<hr/>
<i>Net Cash Provided by (Used in)</i> <i>Financing Activities</i>	<hr/> (125,314)
<i>Net cash increase (decrease) for period</i>	(16,210)
<i>Cash at beginning of period</i>	<hr/> 97,611
<i>Cash at end of period</i>	<hr/> <hr/> \$81,401

See accompanying notes to the basic financial statements.

Highland County Community Improvement Corporation

Statement of Financial Position

As of December 31, 2013

Assets

Current Assets

Checking/Savings

 Merchants \$65,129

 Savings Account 32,482

Total Checking/Saving 97,611

Accounts Receivable 9,083

Total Current Assets 106,694

Fixed Assets

Accumulated Depreciation (348,322)

Land 158,662

Real Estate 1,213,326

Real Estate - Unit #2 344,965

Real Estate - Hospital 1,058,314

Total Fixed Assets 2,426,945

Total Assets \$2,533,639

Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts Payable \$4,662

Deposits - HCC 223,067

Deposits - HCHD 71,867

Current portion of Long-Term Liabilities 107,969

Total Current Liabilities 407,565

Long-Term Liabilities

Loan 6401/86769 192,323

Loan 84654 643,786

Loan RLF 100,569

Less: Current Portion (107,969)

Total Long-Term Liabilities 828,709

Total Liabilities 1,236,274

Net Assets

Unrestricted Net Assets 1,297,365

Total Net Assets 1,297,365

Total Liabilities and Net Assets \$2,533,639

See accompanying notes to the basic financial statements.

Highland County Community Improvement Corporation

Statement of Activities

For the twelve months ending December 2013

Income	
Building Rent	(\$4,804)
Condo Fee	279,451
Electric	7,050
Interest Income	10,910
Lease	120,077
Space Rental	7,500
	<hr/>
<i>Total Income</i>	420,184
Expenses	
Bank Service Charges	3
Building Administration	3,250
Building Management	1,631
Cash Discounts	3,510
Depreciation Expense	57,135
Interest Expense	48,679
Janitorial	13,136
Pest Control	1,235
Postage	100
Professional Fees	6,841
Property Maintenance	10,759
Property Tax	24,557
Repairs and Maintenance	9,794
Trash Removal	4,761
Utilities	119,818
	<hr/>
<i>Total Expenses</i>	305,209
	<hr/>
<i>Net Income</i>	<u><u>\$114,975</u></u>

See accompanying notes to the basic financial statements.

Highland County Community Improvement Corporation

Statement of Cash Flows

For the twelve months ending December 2013

Operating Activities	
Net Income	\$114,975
Depreciation	57,135
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	(9,083)
Construction Costs - WIP	574,867
Accounts Payable	(122,921)
Other Liabilities	<u>(5,365)</u>
 <i>Net Cash Provided by (Used in)</i>	
<i>Operating Activities</i>	<u>609,608</u>
 Investing Activities	
Real Estate purchases and improvements	(612,902)
 <i>Net Cash Provided by (Used in)</i>	
<i>Investing Activities</i>	<u>(612,902)</u>
 Financing Activities	
Principal payments on loans	(113,587)
 <i>Net Cash Provided by (Used in)</i>	
<i>Financing Activities</i>	<u>(113,587)</u>
 <i>Net cash increase (decrease) for period</i>	(116,881)
 <i>Cash at beginning of period</i>	<u>214,492</u>
 <i>Cash at end of period</i>	<u><u>\$97,611</u></u>

See accompanying notes to the basic financial statements.

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. REPORTING ENTITY

ORGANIZATION

The Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), is an Ohio corporation established under sections 1724.01 et seq. of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Highland County. The Corporation is a legally, separate, non-profit organization, served by an eleven member board comprised of County officials and community representatives.

The Corporation was created to advance, encourage, and promote the industrial, economic, commercial and civic development of Highland County and the surrounding community in whatever way and by such means as will improve the normal growth, employment opportunities, and the stability of employment in existing industries. The Corporation is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Corporation.

Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis of accounting principles generally accepted in the United States of America (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for non-profit organizations. Financial statements prepared under GAAP require the use of estimates that may differ from actual.

Basis of Presentation

The Corporation's financial statements consist of statement of financial position, statement of activities and statement of cash flows.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-225. Accordingly, the Corporation is required to report information regarding its financial position and activities according to three classes: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, the Corporation has only unrestricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted support unless there are any donor-imposed restrictions.

Capital Assets

Capital assets are stated at cost and are depreciated over the estimated useful lives by the straight-line method of depreciation for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. The capitalization threshold is \$500.

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Tax Status

The Corporation has qualified for a tax exemption under the section 501 C (3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Cash and Carry Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. CASH AND CASH EQUIVALENTS

At December 31, cash and cash equivalents consisted of the following:

	2014	2013
Merchants Bank checking	\$64,353	\$65,129
Merchants Bank savings	17,048	32,482
Total deposits	\$81,401	\$97,611

At the end of each year, the carrying amount of the Corporation's deposits was covered by the Federal Depository Insurance Corporation.

4. CAPITAL ASSETS

The Corporation's Capital Assets at December 31 are as follows:

	2014	2013
Land	\$158,662	\$158,662
Real estate and improvement	2,616,606	2,616,605
Less: Accumulated Depreciation	(405,458)	(348,322)
Capital Assets, Net	\$2,369,810	\$2,426,945

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT

Debt outstanding at December 31 was as follows:

	2014	2013
Merchants National Bank 84654	\$605,156	\$643,786
Merchants National Bank 86401	\$132,623	192,323
Hillsboro Revolving Loan	88,009	100,569
Total	\$825,788	\$936,678

The Merchants National Bank #84654 was approved to pay off a loan with Fifth Third Bank that was for the purchase of 9.556 acres and a building. This note is renewable each year.

The Hillsboro Revolving Loan was approved to finance the renovation of the HVAC and office space at the 9.556 acre property.

The Merchants National Bank #86401 was approved to make improvements to the office space that has been leased by the Highland District Hospital for doctor offices.

Maturities for the next five years are as follows:

Year ending December 31:	
2015	\$117,612
2016	101,006
2017	99,590
2018	97,321
2019	87,586
Thereafter	322,673
Total	\$825,788

6. DEPOSITS

All deposits of money for condos are shown as a current liability until the purchase of the condominium is completed and a real estate settlement transaction has occurred.

7. CONCENTRATIONS

The Highland County Community Improvement Corporation depends on condo fees and building rent for its continued existence.

8. RELATED PARTY TRANSACTIONS

James Evans, the Treasurer of the Highland County Community Improvement Corporation, is also the President of Merchants National Bank in Hillsboro, Ohio. The Highland County Community Improvement Corporation utilizes Merchants National Bank for their banking services for their checking accounts and debt issues.

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. INSURANCE

The Highland County Community Improvement Corporation maintains property insurance through a private insurance carrier. There has been no significant change in coverage in the past three years. There has been no claims that canceled coverage in the past three years.



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

Highland County Community Improvement Corporation
Highland County
100 North High Street
Hillsboro, Ohio 45133

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 Highland County Community Improvement Corporation, Highland County, (the Corporation) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2016, wherein we noted documentation supporting certain Statement of Financial Position accounts: Deposits-HCC and Deposits HCHD was not provided.

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.

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. 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 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*.

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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 18, 2016

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness

The Corporation lacked management oversight in the proper reporting of certain accounts and transaction line items resulting in the following conditions:

- *Statement of Financial Position accounts - Deposits-HCC and Deposits HCHD accounts and the corresponding current liabilities classification:* the Corporation recorded current liabilities totaling \$294,933. The Corporation discloses that "deposits of money for condos are shown as a current liability until the purchase of the condominium is complete and a real estate settlement transaction has occurred"; however, the Corporation did not provide documentation which identified individuals for whom they are holding deposits.
- Condo fees were posted as building rent in 2013 in the amount of \$27,186.
- Condo fees were posted as lease income in 2013 in the amount of \$9,090.
- Lease income was posted as Condo fees in 2013 in the amount of \$47,112 and in 2014 in the amount of \$9,422.

The Corporation recorded audit adjustments to the financial statements to correct the inaccurate posting of the Condo fees. The Corporations' lack of documentation related to Deposits resulted in a modified audit opinion.

Failure to accurately post and report transactions could result in material errors in the Corporation's financial statements and reduces the Corporation's ability to monitor financial activity and to make sound decisions which effect the overall available cash position of the Corporation.

We recommend the Corporation review and determine if above projects have been completed and make the required adjustments to accurately reflect amounts on the related Statement of Financial Position. We also recommend that the Corporation implement controls to ensure the accurate posting of condo fees.

Officials' Response:

We did not receive a response from Officials to this finding.

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HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	OAC 117-2-02, reporting of certain accounts and transaction line items.	No	Partially corrected, repeated as 2014-001.

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COMMUNITY IMPROVEMENT CORPORATION OF HIGHLAND COUNTY

HIGHLAND 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 3, 2016**