

ST. BERNARD COMMUNITY IMPROVEMENT CORPORATION

Hamilton County, Ohio

Basic Financial Statements

December 31, 2015



Dave Yost • Auditor of State

Board Members
St. Bernard Community Improvement Corporation
110 Washington Ave.
St. Bernard, Ohio 45217

We have reviewed the *Independent Auditor's Report* of the St. Bernard Community Improvement Corporation, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. 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 St. Bernard 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

December 14, 2016

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COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

TABLE OF CONTENTS

I **FINANCIAL SECTION**

A	Independent Auditor’s Report.....	1
B	Management’s Discussion and Analysis	5
C	Basic Financial Statements:	
	Government-wide Financial Statements:	
	Statement of Net Position	8
	Statement of Activity.....	9
	Fund Financial Statements:	
	Balance Sheet	10
	Statement of Revenues, Expenditures and Changes in Fund Balances	11
	Notes to the Basic Financial Statements.....	12

***COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO***

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INDEPENDENT AUDITOR'S REPORT

St. Bernard Community Improvement Corporation
110 Washington Ave.
St. Bernard, Ohio 45217

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the St. Bernard Community Improvement Corporation (the Corporation), a component unit of the Village of St. Bernard, as of and for the year ended December 31, 2015, 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 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 and the major fund of the Corporation, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents 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 October 28, 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. 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 Corporation's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 28, 2016

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VILLAGE OF ST. BERNARD, OHIO

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COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2015

The discussion and analysis of Community Improvement Corporation of the Village of St. Bernard (the CIC) financial performance provides an overall review of the CIC's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the CIC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the CIC's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- ❑ In total, net position increased \$498,933, which represents a 9.8% increase from 2014.
- ❑ Program specific revenues in the form of charges for services and contributions accounted for \$709,590 in revenues, while interest revenue accounted for \$178.
- ❑ The CIC had \$210,835 in expenses related to its activity, all of which were offset by program specific charges for services and contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. These statements are organized so the reader can understand the financial position of the CIC. The CIC's activity is reported government wide and as a governmental fund, which focus on how money flows into and out of the fund and the balance left at year-end available for spending in future periods. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CIC's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the CIC's programs. The relationship (or differences) between the governmental activity (reported in the Statement of Net Position and the Statement of Activities) and governmental fund is reconciled in the financial statements, if there are differences. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2015

FINANCIAL ANALYSIS OF THE CIC

The following tables represent the CIC's condensed financial information for 2015 and 2014 derived from the statement of net position and the statement of revenues, expenses, and changes in net position.

	2015	Restated 2014
Current and other assets	\$339,158	\$169,456
Assets Held for Resale	5,352,366	5,408,135
Total assets	5,691,524	5,577,591
Other liabilities	90,000	475,000
Total liabilities	90,000	475,000
Net position		
Net Investment in assets held for resale	5,352,366	5,408,135
Restricted	249,158	0
Unrestricted	0	(305,544)
Total net position	\$5,601,524	\$5,102,591

Changes in Net Position – The following table provides a comparison of the changes in net position for fiscal year 2015 and 2014:

	2015	2014
Revenues		
Program revenues:		
Charges for Services and Sales	\$194,590	\$161,668
Capital Grants and Contributions	515,000	185,030
General revenues:		
Investment Earnings	178	46
Total revenues	709,768	346,744
Program Expenses		
Community Environment	210,835	143,847
Total expenses	210,835	143,847
Change in Net Position	498,933	202,897
Beginning Net Position, Restated	5,102,591	4,899,694
Ending Net Position	\$5,601,524	\$5,102,591

Net Position increased by \$498,933. This increase was mainly the result of the conversion of \$385,000 of the Advance Payable to Village of St. Bernard to contributed capital in 2015.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Management's Discussion and Analysis - Unaudited
For the Year Ended December 31, 2015

ASSETS HELD FOR RESALE

At the end of fiscal 2015 the CIC had \$5,352,366 invested in land and buildings. The following table shows fiscal year 2015 and 2014 balances:

	<u>Governmental Activity</u>	<u>Increase (Decrease)</u>	
	2015	Restated 2014	
Land and Buildings	<u>\$5,352,366</u>	<u>\$5,408,135</u>	<u>(\$55,769)</u>
Totals	<u><u>\$5,352,366</u></u>	<u><u>\$5,408,135</u></u>	<u><u>(\$55,769)</u></u>

The decrease in 2015 is due to the CIC disposing of more properties than they acquired in the current year.

Additional information on the CIC's assets held for resale can be found in Note 6.

ECONOMIC FACTORS

The CIC acquires land and buildings to advance, encourage and promote the industrial, economic, commercial and civic development of the Village of St. Bernard, Ohio in order to maintain and enhance the quality of life for the Village's residents and businesses. The CIC receives the majority of its funding from the Village, state and federal grants, the proceeds of property sales, and charges for services (rental income). The CIC has no employees.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, investors, and creditors with a general overview of the CIC's finances and to reflect the CIC's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Paul Myers, Executive Director, Community Improvement Corporation of the Village of St. Bernard, 110 Washington Avenue, St. Bernard, Ohio 45217.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Statement of Net Position
December 31, 2015

	<u>Governmental Activity</u>
Assets:	
Cash and Cash Equivalents	\$ 247,658
Other Assets	1,500
Forgivable Loan Receivable	90,000
Assets Held for Resale	<u>5,352,366</u>
Total Assets	<u><u>5,691,524</u></u>
Liabilities:	
Advances from Village	<u>90,000</u>
Total Liabilities	<u><u>90,000</u></u>
Net Position:	
Net Investment in Assets Held for Resale	5,352,366
Restricted	<u>249,158</u>
Total Net Position	<u><u>\$ 5,601,524</u></u>

See accompanying notes to the basic financial statements

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Statement Of Activity
For The Year Ended December 31, 2015

	Program Revenues			Net Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activity
Governmental Activity:				
Community Environment	\$ 210,835	\$ 194,590	\$ 515,000	\$ 498,755
Totals	\$ 210,835	\$ 194,590	\$ 515,000	
General Revenues:				
Investment Earnings				178
Total General Revenues				178
Change in Net Position				498,933
Net Position Beginning of Year, Restated				5,102,591
Net Position End of Year				\$ 5,601,524

See accompanying notes to the basic financial statements

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Balance Sheet
December 31, 2015

	Community Improvement Corporation
Assets:	
Cash and Cash Equivalents	\$ 247,658
Other Assets	1,500
Forgivable Loan Receivable	90,000
Assets Held for Resale	5,352,366
Total Assets	<u>\$ 5,691,524</u>
Liabilities:	
Advances from Village	\$ 90,000
Total Liabilities	<u>90,000</u>
Fund Balances:	
Restricted	5,601,524
Total Fund Balances	<u>5,601,524</u>
Total Liabilities and Fund Balances	<u>\$ 5,691,524</u>

See accompanying notes to the basic financial statements

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

	Community Improvement Corporation
Revenues:	
Intergovernmental Revenues	\$ 515,000
Charges for Services	186,530
Investment Earnings	178
All Other Revenue	8,060
Total Revenue	<u>709,768</u>
Expenditures:	
Current:	
Community Environment	210,835
Total Expenditures	<u>210,835</u>
Net Change in Fund Balance	498,933
Fund Balances at Beginning of Year, Restated	<u>5,102,591</u>
Fund Balances End of Year	<u>\$ 5,601,524</u>

See accompanying notes to the basic financial statements

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Improvement Corporation (the "CIC") was created in May 2003 under the authority of Section 1702.01 *et seq.* of the Ohio Revised Code which provides that "a municipal corporation, a county or any combination thereof acting jointly, may create a Community Improvement Corporation which shall be a body corporate and politic and have territorial limits coterminous with the territorial limits of the political subdivision(s) creating such Community Improvement Corporation."

The Community Improvement Corporation of the Village of St. Bernard (CIC), a non-profit organization, is an eleven-member board comprised of one Village official, three elected officials, five community representatives and two non-resident business advisors. The CIC is considered a blended component unit of the Village for reporting purposes, in accordance with accounting principles general accepted in the United States of America. The CIC is responsible for research and development of the Village, including the assurance that mortgage payments will be made to foster such development, the acquisition, construction, equipment and improvement of buildings, structures and other properties, the acquisition of sites for such development, the lease, sale and subdivision of such sites and incurring of debt in order to carry out such development, and to make loans to any individual or business entity in order to carry out such development purpose for the Village. Funding to finance the CIC comes from the sale of properties owned by the CIC and contributions from the Village and private sources.

The financial statements are presented as of December 31, 2015 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of accounting principles general accepted in the United States of America in that the financial statements include all organizations, activities, functions and component units for which the CIC (the primary government) is financially accountable. The CIC is financially accountable for an organization if it has (1) the ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on others, and (3) the entity's fiscal dependency on others.

Based on the foregoing, the CIC's financial reporting entity has no component units.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

The basic financial statements consist of government-wide statements, including a statement of Net Position and a statement of activity, and fund financial statements.

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities associated with the operation of the CIC are included on the statement of Net position.

The government-wide statement of activity presents a comparison between direct expenses and program revenues for the program of the CIC's governmental activities. Direct expenses are those that are specifically associated with the program and therefore clearly identifiable. 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 operational or capital requirements of the program. Revenues which are not classified as program revenues are presented as general revenues of the CIC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies whether the program is self-financing or draws from the general revenues of the CIC.

Fund Financial Statements

The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements are prepared using 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, the recording of deferred inflows of resources and in the presentation of expenses vs. expenditures.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits.

E. Assets Held for Resale

Assets Held for Resale are defined by the CIC as assets with an initial, individual cost of more than \$1,000.

Property, plant and equipment acquired is stated at cost (or estimated historical cost), including architectural and engineering fees where applicable. Donated capital assets are recorded at fair market value at the date received.

Depreciation has been not been provided for land and buildings. It is the CIC's practice to sell land and buildings after the appropriate improvements have been made. Because it is not the CIC's intent to use these properties themselves, they have not been depreciated.

F. Fund Balances

Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the CIC to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Unassigned fund balance consists of amounts that have not been restricted for specific purposes within the CIC as well as negative fund balance.

G. Net position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation on those assets.

H. Estimates

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

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 – RESTATEMENT OF FUND BALANCE AND NET POSITION

The CIC restated the general fund balance at December 31, 2014 to include the balances associated with assets held for resale. Additionally, the CIC restated the assets held for resale on an entity wide basis to correct an accounting error in the valuation of a property purchased previously.

The restatements had the following effect on fund balance and net position as reported December 31, 2014:

	Governmental Activities	General Fund
Net Position/Fund Balance December 31, 2014	<u>\$5,225,091</u>	<u>(\$305,544)</u>
Adjustments:		
Accounting Error	(122,500)	0
Inclusion of assets held for resale	0	5,408,135
Restated Fund Balance/Net Position December 31, 2014	<u><u>\$5,102,591</u></u>	<u><u>\$5,102,591</u></u>

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COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the CIC into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the CIC. Such funds must be maintained either as cash in the CIC Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of CIC cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the CIC places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the CIC's deposits was \$247,658 and the bank balance was \$247,658. The Federal Deposit Insurance Corporation (FDIC) covered all of the bank balance.

NOTE 4 – ADVANCE FROM VILLAGE

During 2015, the Village made an advance for \$90,000 to the CIC to help subsidize the CIC's operations.

NOTE 5 - RISK MANAGEMENT

The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to agents and others; and natural disasters. The CIC carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

COMMUNITY IMPROVEMENT CORPORATION
VILLAGE OF ST. BERNARD, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 – ASSETS HELD FOR RESALE

Summary by category of changes in assets held for resale at December 31, 2015:

<i>Historical Cost:</i>	Restated			December 31,
Class	December 31, 2014	Additions	Deletions	2015
<i>Assets Held for Resale not being depreciated:</i>				
Land and Buildings	\$5,408,135	\$73,678	(\$129,447)	\$5,352,366
Total Cost	<u>\$5,408,135</u>	<u>\$73,678</u>	<u>(\$129,447)</u>	<u>\$5,352,366</u>

ST. BERNARD COMMUNITY IMPROVEMENT CORPORATION

Hamilton County, Ohio

Yellow Book Report

December 31, 2015

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*

St. Bernard Community Improvement Corporation
110 Washington Ave.
St. Bernard, Ohio 45217

We have audited, in accordance with the 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 and the major fund of the St. Bernard Community Improvement Corporation (the Corporation), a component unit of the Village of St. Bernard, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated October 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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. *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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. See 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation'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 results 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
October 28, 2016

ST. BERNARD COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

December 31, 2015

FINDING NUMBER 2015-001

Material Weakness

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Corporation lacked management oversight in accounting and financial reporting on the Corporation's accounting records for the audit period. The Corporation uses QuickBooks to track the Assets Held for Resale. Additions and deletions are input periodically by the bookkeeper based on activity recorded by the Corporation. The QuickBooks reports are then sent to their GAAP convertor for input into their GAAP financial statements.

The Corporation posted an adjustment to QuickBooks for \$122,500 to correct a posting error from prior years. The amount was incorrectly included in the 2015 expenses. An audit adjustment was posted to adjust beginning net position.

GASB requires that Assets Held for Resale to be recorded on the fund Balance Sheet. In prior years, this amount had only been reflected as an asset on the entity wide Statement of Net Position. An audit adjustment for \$5,408,135 was posted to adjust beginning fund balance for this error.

An advance from the Village of St. Bernard was incorrectly recorded as revenue. An audit adjustment for \$90,000 was posted to correctly reflect this amount as a liability.

Lack of internal controls and formal policies over the accounting and financial reporting increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend that the Corporation exercise due care when posting entries to the financial records and financial statement preparation to prevent errors, accurately reflect the corporation's financial activity and financial position, and disclose all activities of the financial statements as required.

The Corporation has posted audit adjustments to the financial statements and ledgers where appropriate, and has corrected the related notes to the financial statements.

Officials' Response:

Management has made changes to the procedures and methodologies utilized thereby promoting: that accounting records are properly designed; verifying the existence and valuation of assets and liabilities; and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. In addition, a new accounting firm has been hired to document the financial records.

FINDING NUMBER 2015-002

Material Weakness

When designing the public office's system of internal controls and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Corporation lacked management oversight in accounting and financial reports in the Corporation's accounting records for the audit period based on the following:

The Corporation obtained the St. Bernard Square shopping center for the Village of St. Bernard. The Corporation collected rents from the vendors within the shopping center. However, we noted the following conditions:

- The Corporation does not have rental agreements with all of its renters. Upon receipt of the rental property, the Corporation continued to charge renters the same rate as the previous owner without regard to an actual agreement.
- Rental agreements with vendors that were carried forward did not always calculate to the amount of rent that was being charged and collected.
- The Corporation did not provide or maintain duplicate receipts to the vendors for rent received and deposited.
- The Corporation did not maintain a monthly receipt ledger indicating the date and amounts paid to the Corporation by the shopping center's vendors that could be reconciled back to the financial statements.

Failure to maintain records and lack of financial accountability increases the risk of undetected misappropriation of funds, fraud, or theft. Controls should be put into place to help assure that all rental income receipts are properly accounted for. We recommend the Corporation obtain signed rental agreements between the Corporation and the renters of their properties, charge a consistent monthly rental amount that correlates to the rental agreements, and maintain documentation of all deposits and rental checks the Corporation receives.

Officials' Response:

Management has made changes to the procedures and methodologies utilized thereby dramatically reducing the possibilities of undetected misappropriation of funds, fraud, or theft. Controls are in place to help assure that all rental income receipts are properly accounted for. Sale of this property is forthcoming which mitigates the need for new rental agreements.

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Dave Yost • Auditor of State

ST BERNARD COMMUNITY IMPROVEMENT CORPORATION

HAMILTON 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
DECEMBER 27, 2016**