



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF GENEVA
ASHTABULA COUNTY
DECEMBER 31, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Geneva
Ashtabula County
P.O. Box 724
Geneva, Ohio 44041

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation (CIC) of Geneva, Ashtabula County, (the CIC), a component unit of the City of Geneva, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 CIC'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 CIC'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 Community Improvement Corporation of Geneva, Ashtabula County, Ohio, as of December 31, 2016, and the changes in financial position and the related statements of activities 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 June 13, 2017, on our consideration of the CIC'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 CIC's internal control over financial reporting and compliance.

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Dave Yost
Auditor of State
Columbus, Ohio

June 13, 2017

Community Improvement Corporation of Geneva

Statement of Financial Position

December 31, 2016

Assets

Current assets:

Cash and cash equivalents	\$ 79,909
Cash held as fiscal agent	82,090
Accounts receivable	5,189
Loans receivable, current	<u>6,744</u>
Total current assets	173,932

Non-current assets:

Capital assets and property held for sale or development, net of accumulated depreciation (Note 4)	44,281
Loans receivable, net of current	<u>9,309</u>
Total non-current assets	<u>53,590</u>

Total assets \$ 227,522

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 2,436
Due to other governments	1,499
Unearned revenue	4,000
Funds held as fiscal agent	<u>82,090</u>
Total current liabilities	90,025

Long-term liabilities:

Due to other governments	<u>44,558</u>
Total liabilities	134,583

Net assets:

Unrestricted	<u>92,939</u>
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Total liabilities and net assets \$ 227,522

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Geneva

Statement of Activities

For the Year Ended December 31, 2016

Unrestricted net assets:

Public support and revenues:

Grants	\$	13,101
Contributions		22,854
Interest income		2,429
Other		<u>11,371</u>
Total public support and revenues		49,755

Expenses and losses:

Economic development		110,788
Accounting and auditing		800
Depreciation		230
Fundraising		912
Other		<u>707</u>
Total expenses and losses		<u>113,437</u>

Change in unrestricted net assets (63,682)

Unrestricted net assets at beginning of year 156,621

Unrestricted net assets at end of year \$ 92,939

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Geneva

Statement of Cash Flows

For the Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ (63,682)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	230
Bad debt expense	56,617
Changes in operating assets and liabilities:	
Decrease in accounts receivable	6,525
Increase in loans receivable	(6,726)
Increase in accounts payable	2,436
Increase in deferred revenue	4,000
Decrease in due to other governments	<u>(1,821)</u>
Net cash used by operating activities	(2,421)
Cash flows from investing activities	
Purchase of property	<u>(281)</u>
Net cash used by investing activities	(281)
Net change in cash	(2,702)
Cash and cash equivalents at beginning of year	<u>82,611</u>
Cash and cash equivalents at end of year	\$ <u><u>79,909</u></u>

The accompanying notes are an integral part of these financial statements.

Community Improvement Corporation of Geneva

Notes to the Financial Statements

December 31, 2016

Note 1: Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Community Improvement Corporation of Geneva (the “CIC”).

Nature of Activities

The CIC was incorporated in July 1997 by the City of Geneva (the “City”) under Section 1724.01 et seq. of the Ohio Revised Code. The CIC is a separate body politic having power to act as an individual entity to carry out powers given to it under state statute. The CIC is a legally separate, not-for-profit organization, served by a 15-member board composed of City officials and community representatives.

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

Basis of Presentation

The CIC prepares its financial statements in accordance with the not-for-profit entity related provisions of the standards set by the Financial Accounting Standards Board (FASB) which established the FASB Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America.

The CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. The CIC does not have any temporarily restricted or permanently restricted net assets as of December 31, 2016.

Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting. Due to the nature and significance of the CIC’s relationship to the City, the CIC is presented as a component unit of the City.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 amounts of assets and liabilities and disclosure 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 could differ from those estimates.

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Loans Receivable

The CIC has loaned money to various City businesses. Payments of principal and interest are due monthly and are not secured. The loans range in interest rates from 1.00% to 3.5%. When a loan payment is outstanding sixty days after its scheduled payment date, management deems the loan to be delinquent. At December 31, 2016, there were no loans deemed to be delinquent.

The carrying amount of loans receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews loans receivable balances that are not current and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2016, management has determined that the loans receivable are all collectable and do not require an allowance for doubtful accounts.

Capital Assets

All purchased capital assets and other property are stated at cost. Donated property is capitalized at estimated fair value at the date of donation based on non-recurring Level 2 fair value measurements under FASB's fair value hierarchy.

The CIC capitalizes asset purchases having a cost of \$500 or more. The CIC depreciates the capital assets other than land using the straight-line method based on the estimated useful lives of the assets ranging from five to ten years.

Income Taxes

The CIC has qualified for a tax exemption under 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.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. As of December 31, 2016, the CIC has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the year then ended.

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2016

Note 1: Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis within the notes to the financial statements. Accordingly, certain costs have been allocated to the appropriate programs and supported services.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The CIC has \$4,000 of unearned revenue at December 31, 2016.

Subsequent Events

In preparing these financial statements, the CIC has evaluated events and transactions for potential recognition or disclosure through June 13, 2017, the date the financial statements were available to be issued.

Note 2: Concentrations

At December 31, 2016, the carrying amount of CIC's deposits was \$161,999 and the bank balance was \$163,990, which was covered by federal depository insurance.

Note 3: Related Parties

Five of the 15 trustees serving the CIC are elected or appointed officials of the City of Geneva as mandated by the Ohio Revised Code with only the City Manager being specified.

In 2014, the CIC sold property for a purchase price of \$267,000 plus interest of 1%. Interest collected under the purchase agreement belongs to the CIC. Principal payments collected under the purchase agreement are shared equally between the CIC and the City of Geneva, except for the final lump sum payment of \$145,764 which will belong exclusively to the City of Geneva. All payments are first collected by the CIC and then the CIC pays the agreed upon amounts to the City of Geneva.

During 2016, the CIC determined that the purchaser of this property would not be able to pay the remaining amount of the purchase price. The CIC wrote off both the remaining amount receivable under the purchase agreement of \$258,490, as well as the related amount payable to the City of \$201,873. This resulted in a net bad debt expense of \$56,617 for the year ended December 31, 2016, which is included in economic development in the Statement of Activities.

Community Improvement Corporation of Geneva

Notes to the Financial Statements (continued)

December 31, 2016

Note 4: Capital Assets and Property Held for Sale or Development

The CIC's property and equipment consist of the following at December 31, 2016:

Property held for sale or development	\$	44,281
Equipment		27,905
Less: accumulated depreciation		<u>(27,905)</u>
Total	\$	<u>44,281</u>

The majority of CIC's land was donated by the City of Geneva and outside donors.

Note 5: Functional Classification of Expenses

Expenses by function for the year ended December 31, 2016 were as follows:

Program services	\$	111,018
General and administrative		1,507
Fundraising		<u>912</u>
Total expenses	\$	<u>113,437</u>

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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*

Community Improvement Corporation of Geneva
Ashtabula County
P.O. Box 724
Geneva, Ohio 44041

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 Community Improvement Corporation (CIC) of Geneva, Ashtabula County, (the CIC) a component unit of the City of Geneva, which comprise the statement of financial position as of December 31, 2016, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC'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 CIC'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 CIC'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 CIC'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 CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC'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

June 13, 2017



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COMMUNITY IMPROVEMENT CORPORATION OF GENEVA

ASHTABULA 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
JUNE 27, 2017**