



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY  
DECEMBER 31, 2018**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Basic Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	14

**THIS PAGE INTENTIONALLY LEFT BLANK**



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Lancaster Area Community Improvement Corporation  
Fairfield County  
109 N Broad Street, Ste 100  
Lancaster, Ohio 43130

To the Executive Committee:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Lancaster Area Community Improvement Corporation, Fairfield County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2018, 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 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 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 Lancaster Area Community Improvement Corporation, Fairfield County, Ohio as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, during 2018, the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Statement No. 2016-14, *Not-For-Profits*. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, 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. While we did not opine on the internal control over financial reporting or on compliance, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 489,865
Total Current Assets	489,865

**Noncurrent Assets**

Land	1,441,247
Land Improvements	19,291
Prepaid Insurance	1,290
Total Noncurrent Assets	1,461,828

TOTAL ASSETS	\$ 1,951,693
--------------	--------------

**LIABILITIES**

Accrued Real Estate Tax	\$ 9,080
Accounts Payable	5,000
Prepaid Lease Income	8,556
	8,556

TOTAL LIABILITIES	22,636
-------------------	--------

**NET ASSETS**

Without Donor Restrictions	1,929,057
----------------------------	-----------

TOTAL NET ASSETS	1,929,057
------------------	-----------

TOTAL LIABILITIES AND NET ASSETS	\$ 1,951,693
----------------------------------	--------------

The accompanying notes to the financial statements are an integral part of this statement.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES	
Membership Dues	\$ 1,550
Rent	11,092
In-Kind Rent	1,500
Interest Income	620
TOTAL REVENUES	<u>14,762</u>
EXPENSES	
Legal Fees	1,350
Miscellaneous Expenses	9,104
Real Estate Taxes	9,079
In-Kind Rent	1,500
Management Fees	3,000
Professional Fees	3,353
TOTAL EXPENSES	<u>27,386</u>
CHANGE IN NET ASSETS	(12,624)
NET ASSETS, BEGINNING OF YEAR	<u>1,941,681</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,929,057</u></u>

The accompanying notes to the financial statements are an integral part of this statement.



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (12,624)
Increase (Decrease) in Operating Liabilities:	
Accrued Real Estate Tax	1,687
Accounts Payable	(3,750)
Prepaid Lease Income	<u>(372)</u>
	<u>(2,435)</u>
Net Cash Provided (Used) by Operating Activities	<u>(15,059)</u>
Net Change in Cash and Cash Equivalents	(15,059)
Cash and Cash Equivalents, Beginning of Year	<u>504,924</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 489,865</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Lancaster Area Community Improvement Corporation (the Corporation), is an Ohio non-profit corporation created in 1981 for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Lancaster and the surrounding community and county.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**B. BASIS OF ACCOUNTING**

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**C. BASIS OF PRESENTATION**

The Corporation has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 958-210, *Presentation of Financial Statements*. Under ASC 958-210, updated by *Accounting Standards Update ASU 2016-14*, the Corporation is required to report information regarding its financial position and activities according to two classes of net assets: assets without donor restrictions and assets with donor restrictions.

**D. REVENUE RECOGNITION**

Income from membership dues, fees, and land sales is recognized over the period to which the dues, fees, and land sales relate.

**E. CASH AND CASH EQUIVALENTS**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

**F. EQUIPMENT**

Equipment is stated at cost and is depreciated over the estimated useful lives by the straight-line method for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. When equipment is sold, or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

<u>Asset Type</u>	<u>Years</u>
Equipment	5-10
Furniture	5-10
Buildings and Improvements	10-20

**G. DONATED PROPERTY**

Donations of property are recorded as contributions at their estimated fair value at the date of the donation.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(CONTINUED)**

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

**H. FEDERAL INCOME TAX**

The Corporation was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c) (6) of the Internal Revenue Code.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken The Corporation that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization Exempt from Income Tax (Form 990) for 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

**I. LAND**

Original land available for sale is stated at its appraised value, which approximates market value at the time of donation. Subsequent land purchases and costs to prepare the land for sale are stated at cost. As land is sold, an allocation of cost for those acres sold is charged to operations.

**J. ESTIMATES**

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

**2. APPLICATION OF ACCOUNTING STANDARDS UPDATE**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities (Topic 958). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these statements accordingly.

**3. DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2018, cash and cash equivalents consisted of the following:

	2018
Demand Deposits	\$389,865
Certificates of Deposit	100,000
Total Deposits	\$489,865

Of the Corporation's \$489,865 held by federally-insured financial institutions, \$474,015 was insured by the Federal Depository Insurance Corporation.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

**4. LAND**

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consisted of approximately 186.97 acres of land at December 31, 2018. The Corporation promotes the sale of this land in Fairfield County to prospective industrial clients.

In 2002, an agreement was entered into between the Corporation and the City of Lancaster where the City agreed to construct various infrastructure improvements on the Phase II portion of the Corporation's Rockmill Corporate Park.

Ownership of these improvements is retained by the City and, upon sale of such parcels; the Corporation has agreed to remit \$37,800 per acre for the first eighteen acres sold and \$31,500 per acre for the remaining acreage. The total reimbursement to the City will be \$5,635,900. No land was sold during the year ended December 31, 2018.

**6. ASSETS HELD FOR RESALE**

Assets held for resale consist of the following properties:

Parcel Number and Description	Cost
053-13530-00; Mill Park Drive, Rock Mill Corporate Park	\$ 74,418
053-13531-00; Mill Park Drive, Rock Mill Corporate Park	132,774
053-13532-00; Mill Street, Rock Mill Corporate Park	290,429
053-13533-00; Mill Park Drive, Rock Mill Corporate Park	159,446
053-13534-00; Mill Park Drive, Rock Mill Corporate Park	161,744
057-10018-00; Anchor Avenue, Rock Mill Corporate Park	50,184
057-10019-00; Anchor Avenue, Rock Mill Corporate Park	65,067
053-10040-10; South Mill Park Drive; R 19 T 15 S 33 NE	492,409
053-10040-40; W Fair Avenue, R 19 T 15 S 33 NE	14,776
Total	<u>\$ 1,441,247</u>

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(CONTINUED)**

**7. LAND IMPROVEMENTS**

During 2018, the Corporation did not invest in any land improvements. In 2016, the Corporation invested \$19,291 in drainage and tile work (land improvements) for Parcel 053-13532-00.

**8. LEASES**

Annual leases have been negotiated for tenants to occupy and use, for agricultural purposes, the remaining tillable acres of land owned by the Corporation. Credit was allowed for land rendered untillable by construction work or a direct reimbursement may be made to the lessee for crops destroyed. Leases were renewed on a yearly basis at the discretion of the Board of Trustees. For 2018, the lease was re-negotiated for a term of three years for \$80.00 per acre. In 2018, 134 acres were farmed and \$10,720 was collected per the lease agreement.

In 2017, the Corporation entered into a lease agreement with National Power Cooperative, Inc. for 4 acres of land for a solar field. The 4 acres were leased for \$1 per year for the next 25 years. As part of the solar field agreement, the local electric cooperative, South Central Power Co., also agreed to pay the Corporation the farm lease value for the 4 acres at a rate of \$372 per year for 25 years. The total balance for the 25 year value was paid in advance in the amount of \$9,300.

**9. ADMINISTRATIVE FEE**

A management fee is paid to the Lancaster Area Chamber of Commerce. The Corporation uses the Chamber's facilities and personnel. The fee for the year ended December 31, 2018 was \$3,000.

**10. IN-KIND RENT**

The Lancaster Area Chamber of Commerce furnishes approximately 200 square feet of office space at no charge for use of the Corporation. In-Kind revenues and expenses are computed using the market rental value of \$7.50 per square foot, which for the year ended December 31, 2018 was \$1,500.

**11. INSURANCE**

The Corporation maintains property insurance through a private insurance carrier. There has been no significant change in coverage in the past four years. There have been no claims that exceeded coverage in the past four years.

**12. SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through September 25, 2019, the date which the financial statements were available to be issued.

In August 2019, the Corporation sold 24.516 acres of land to Magna International / Mill Park Drive Columbus Ohio, LLC for \$1.00. Closing costs incurred for this transaction totaled \$33,390.

In July 2019, the Corporation sold 42.05 acres of land to the South Central Power Company for \$1,471,750. Of this amount, \$1,324,575 was remitted back to the City of Lancaster in accordance with the infrastructure reimbursement agreement.

**THIS PAGE INTENTIONALLY LEFT BLANK.**

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5<sup>th</sup> Floor  
Columbus, Ohio 43215-3506  
(614) 466-3402 or (800) 443-9275  
CentralRegion@ohioauditor.gov

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

Lancaster Area Community Improvement Corporation  
Fairfield County  
109 N Broad Street, Ste 100  
Lancaster, Ohio 43130

To the Executive Committee:

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 Lancaster Area Community Improvement Corporation, Fairfield County, (the Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated September 25, 2019, wherein we noted the Corporation adopted new accounting guidance in Financial Accounting Standards Board (FASB) Statement No. 2016-14, *Not-For-Profits*.

### ***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 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 2018-001 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*.

### ***Corporation's Response to Findings***

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

### ***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

September 25, 2019



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**Financial Statement Presentation – Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Financial Accounting Standards Board ASC 958-205-05 requires a complete set of financial statements, directing that general-purpose external financial statements provided by an NFP include a statement of financial position, a statement of activities, and a statement of cash flows. Individual financial statements provide different information, and the information each statement provides generally complements information in other financial statements.

The Corporation is responsible for sound financial reporting, an important managerial responsibility. Implementing internal controls, therefore, helps ensure the accuracy of the Corporation's financial records. The Executive Committee needs to periodically monitor control procedures to verify they are functioning effectively.

We identified and posted the following adjustments to the December 31, 2018 financial statements:

- A 1,941,681 adjustment to reflect beginning net assets on the Statement of Activities;
- A reclassification of net assets from unrestricted net assets to net assets without donor restrictions, in accordance with FASB Accounting Standards Update 2016-14; and
- A \$1,500 adjustment to book the receipt and disbursement of in-kind rent for facilities provided by the Lancaster Area Chamber of Commerce.

In addition, we identified and posted adjustments to the notes to the financial statements related to the implementation of FASB Accounting Standards Update 2016-14.

Although the Corporation has various controls in place over financial reporting, the need to propose an audit adjustment suggests controls may not be effective or operating as management intended.

The Corporation should review draft financial statements and notes to the financial statements for misstatements to help ensure any errors are detected and corrected in a timely manner.

**Officials' Response:** The Lancaster Area Community Improvement Corporation has reviewed the audit report and schedule of findings by the Auditor of the State for December 31, 2018. We recognize that adjustments to financial statements prepared by us were required in order to book in kind rent properly and also due to changes in FASB 2016-14 regarding net assets classification without restrictions and that these adjustments are considered a material weakness. We are meeting with our outside CPA who reviews our statements to insure that proper compliance with FASB and other accounting practices and rules are maintained in the future.

Lancaster Area Community Improvement Corporation  
Fairfield County  
109 North Broad Street, Suite 100  
Lancaster, Ohio 43130

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001 2016-001	Farm Leases ended in 2007 but were never renewed. (first issued in 2016)	Fully Corrected	New leases were signed in 2018.

# OHIO AUDITOR OF STATE KEITH FABER



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**

**FAIRFIELD 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  
NOVEMBER 7, 2019**