



Dave Yost • Auditor of State



**COMMUNITY IMPROVEMENT CORPORATION  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITORS' REPORT

Community Improvement Corporation  
Harrison County  
538 North Main Street  
Cadiz, Ohio 43907

To the Board of Trustees:

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

We have audited the accompanying financial statement and related notes of the Community Improvement Corporation, Harrison County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting the financial statement free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement 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 statement is 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 statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the Corporation prepared this financial statement using the cash accounting basis. However, Ohio Revised Code Section 1724.05 requires the statement to follow accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Opinion***

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement does not present fairly the financial position, results of operation and cash flows, where applicable, of the Community Improvement Corporation, Harrison County, Ohio, as of and for the years ended December 31, 2012 and 2011 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 September 25, 2013, 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

September 25, 2013

**COMMUNITY IMPROVEMENT CORPORATION  
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Receipts:</b>		
Grants	\$100,615	\$48,724
Miscellaneous	14,682	3,847
Total Cash Receipts	115,297	52,571
<b>Cash Disbursements:</b>		
Current:		
Advertising	287	
Audit Costs	250	2,322
Contract Labor	67,964	64,095
Legal Costs	980	500
Maintenance/Repairs	100	800
Miscellaneous		1,698
Office Supplies/Expenses	412	1,325
Property Taxes	115	726
Rent	1,800	1,800
Telephone	1,775	1,673
Total Cash Disbursements	73,683	74,939
Total Cash Receipts Over/(Under) Cash Disbursements	41,614	(22,368)
Fund Cash Balance, January 1	31,045	53,413
<b>Fund Cash Balance, December 31</b>	<b>\$72,659</b>	<b>\$31,045</b>

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

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**COMMUNITY IMPROVEMENT CORPORATION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Community Improvement Corporation (the Corporation), is a not-for-profit corporation and was incorporated in 1966 under authority of Ohio Rev. Code Section 1724. The Corporation is governed by 20 trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development in Harrison County.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

**B. Accounting Basis**

Although required by Ohio Rev. Code Section 1724.05 to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

**C. Tax Status**

The Corporation is exempt from federal income taxes under Internal Revenue Code 501(c)(4) and therefore has made no provision for federal income taxes in the accompanying financial statements. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

**D. Property, Plant, and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. Deposits**

The Corporation maintains a checking account. The carrying amount of deposits at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$72,659	\$31,045

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**COMMUNITY IMPROVEMENT CORPORATION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Contractual Services**

The Harrison County Commissioners contract with the Corporation to administer various grants received by the County. Harrison County directly pays the salaries of the Corporation's employees. The Corporation reimburses Harrison County for wages and related payroll taxes from the portion of the grants received from Harrison County allocated for administration fees. For the year ended December 31, 2012, this amounted to \$67,550.

**4. Rent**

The Corporation has an agreement with the Harrison County Commissioners to lease its present office space. For the year ended December 31, 2012, rent paid was \$1,800.

**5. Risk Management**

**Commercial Insurance**

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and,
- Wrongful acts and dishonesty bond.



# Dave Yost • Auditor of State

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

Community Improvement Corporation  
Harrison County  
538 North Main Street  
Cadiz, Ohio 43907

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 statement of the Community Improvement Corporation, Harrison County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statement, and have issued our report thereon dated September 25, 2013 wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles. Also, we issued an adverse opinion on the 2012 and 2011 financial statement due to the Corporation failing to prepare a financial statement that followed accounting principles generally accepted in the United States of America.

### ***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 statement, 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 statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Corporation's financial statement is 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2012-001.

***Entity'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 audit the Corporation's response 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 25, 2013

**COMMUNITY IMPROVEMENT CORPORATION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2012-001**

**Noncompliance**

Ohio Revised Code Section 1724.05 requires community improvement corporations to report annually in accordance with generally accepted accounting principles. Additionally, the annual financial report must be filed with the Auditor of State.

The Corporation prepared its financial statement and notes on the accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit the entity-wide statements, and assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

Additionally, although the 2011 annual report was filed with the Auditor of State, the 2012 annual report has not been filed as required by Ohio Revised Code Section 1724.05.

The Corporation should take the necessary steps to help ensure the annual financial report is prepared and filed in accordance with generally accepted accounting principles.

**Officials' Response:** We understand that ORC 1724.05 states that Community Improvement Corporations should file annual financial reports pursuant to accounting principles generally accepted in the United States of America. The Harrison County Community Improvement Corporation, due to economics, chooses to prepare our financial statement on a cash basis of accounting. We understand this form of accounting is permitted and accepted by the State Auditor's Office. Until our financial situation changes, we will continue to prepare our financial statements on a cash basis of accounting.

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# Dave Yost • Auditor of State

## COMMUNITY IMPROVEMENT CORPORATION

### HARRISON 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  
OCTOBER 10, 2013