



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation of Jackson County
Jackson County
408 Redondo Drive
Jackson, Ohio 45640

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation of Jackson County, Ohio (the Corporation) (a not-for-profit corporation), which comprise the statement of financial position and related statement of activities, as of and for the years ended December 31, 2014 and 2013, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

Basis for Qualified Opinion

The Corporation prepared its financial statements in accordance with GAAP; however, the annual report was not filed with the Auditor of State, nor did the financial statements include a Statement of Cash Flows for 2014 or 2013.

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Scrap sale receipts are reported at \$23,197 and sale of assets are reported at \$336,440 for the year ended December 31, 2013, which are 6% and 93%, respectively, of total receipts for the year ended December 31, 2013. As described in Finding 2014-005 in the accompanying Schedule of Findings, the Corporation did not maintain supporting documentation for 100% of these receipts.

For the year ended December 31, 2014, the Corporation contracted with a company to perform demolition work at the Corporation's site. The contract called for the contractor to pay the Corporation \$30,000 to cover all salvageable materials and in exchange, the buildings and plant structures became property of the contractor to scrap or salvage. The contractor paid the Corporation only \$10,000 for the buildings and plant structures. The Corporation verbally agreed for the contractor to perform additional work in lieu of the remaining \$20,000 payment. There is no written documentation of this transaction so an adjustment was not made to record this transaction to the audited financial statements.

Opinion

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation of Jackson County, Jackson County, Ohio, as of December 31, 2014 and 2013, and the changes in its financial position for the years 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 February 23, 2016, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 23, 2016

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current Assets:		
Cash	\$ 7,939	\$ 6,014
Accounts Receivable	450	375
	<hr/>	<hr/>
Total Current Assets	8,389	6,389
Noncurrent Assets:		
Property and Equipment		
Assets, Net of Depreciation	1,353	463,093
Land	89,600	89,600
Lease Buyout	149,450	254,945
	<hr/>	<hr/>
Total Noncurrent Assets	240,403	807,638
	<hr/>	<hr/>
TOTAL ASSETS	<u>248,792</u>	<u>814,027</u>
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Loans Payable	753	753
	<hr/>	<hr/>
Total Current Assets	753	753
Long-Term Liabilities:		
Loans Payable	610,000	600,000
	<hr/>	<hr/>
Total Long-Term Liabilities	610,000	600,000
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>610,753</u>	<u>600,753</u>
 NET POSITION		
Unrestricted	(361,961)	213,274
	<hr/>	<hr/>
TOTAL NET POSITION	<u>(361,961)</u>	<u>213,274</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 248,792</u>	<u>\$ 814,027</u>

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

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
Changes in Net Assets:		
Revenues:		
Rent	\$ 5,733	\$ 2,400
Interest	0	17
Sales	10,000	23,197
 Total Revenues	 15,733	 25,614
Expenses:		
General and Administrative Expense	315	904
Insurance	3,647	1,700
Legal Expense	0	650
Real Estate Tax	0	119,289
Lease Amortization	105,495	105,495
Depreciation	5,261	16,096
Debt Service:		
Interest and Other Fiscal Charges	19,771	25,133
 Total Expenses	 134,489	 269,267
 Total Receipts Over/(Under) Disbursements	 (118,756)	 (243,653)
Other Financing Receipts / (Disbursements):		
Sale of Capital Assets		336,440
Loss on Sale of Capital Assets	(456,479)	
 Total Other Financing Receipts / (Disbursements)	 (456,479)	 336,440
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (575,235)	 92,787
 Fund Cash Balances, January 1	 213,274	 120,487
 Net Assets - December 31	 \$ (361,961)	 \$ 213,274

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

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Improvement Corporation of Jackson County, Ohio (the Corporation), is a not-for-profit corporation and was incorporated on February 4, 1963, under the authority of Ohio Rev. Code Chapter 1724. The Corporation is governed by an appointed Board of 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 Jackson County, Ohio.

The Corporation's management believes these financial statements present all activities for which the Corporation is financially accountable.

B. Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis.

In 1994, the Corporation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements for Non-For-Profit Organizations" (SFAS No. 117). The statements of the new standards have been applied to the years presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed stipulations.
- **Temporary restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.
- **Permanently restricted net assets** – Net assets subject to donor-imposed stipulation that they be maintained permanently or until all donor imposed restrictions are met by the organization. Generally, the donors of these assets permitted organizations to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2014, all assets were unrestricted.

C. Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with an initial maturity date of three months or less to be cash equivalents.

D. Tax Status

The Corporation has been recognized by the State of Ohio as a tax-exempt organization and by the Internal Revenue Service as a Section 501(C)(6) nonprofit organization and is therefore not subject to tax.

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets 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.

2. Cash

The Corporation maintains one checking account. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2014	2013
Demand deposits	\$7,939	\$6,014

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

3. Notes Payable

The Corporation has negotiated a loan with the Ohio Valley Bank in the amount of \$600,000 made April 22, 2014, with a maturity date of April 22, 2015. The loan carries a 3.25% interest rate with interest payable monthly. This loan was renewed on April 22, 2015, with a maturity date of April 22, 2016 with the same 3.25% interest rate and interest payable monthly.

The Corporation has borrowed \$10,000 from Alan Stockmeister, a Corporation Trustee. There is no written note and no interest is currently being charged. The loan is due on demand.

4. Risk Management

Commercial Insurance

The Corporation has obtained commercial general liability insurance.

5. Capital Assets

The Corporation's property and equipment consists of the following at December 31, 2014:

Land	\$89,600
Buildings and Improvements	187,677
Sub-total	\$277,277
Less: Accumulated Depreciation	(186,324)
Total Net Assets	\$90,953

6. Loss on Disposition of Assets

The Corporation has torn down most of the old structures on the site. This loss represents the net depreciated value of the removed structures.

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

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

7. Lease Buyout and Amortization

In November 2008 the Corporation bought the lease on the property from the lessee in the amount of \$800,000. This amount is being amortized over the remaining term of the original lease.

8. Related Party Transactions

Alan Stockmeister, a Corporation Trustee, loaned the Corporation money during the period as described in Note 3 above. At December 31, 2012, the Corporation owed Mr. Stockmeister \$22,500 and an additional \$5,000 was borrowed during 2013. With the sale of land during 2013, the Corporation was able to pay that balance in full by December 31, 2013. However, the Corporation again borrowed money during 2014 and owes Mr. Stockmeister \$10,000 at December 31, 2014.

9. Going Concern

Corporation expenses have exceeded revenues resulting in the need for the Corporation to borrow money from one of its Trustees. As of December 31, 2014, the Corporation had only a \$7,939 cash balance but had outstanding loans of \$600,000 to Ohio Valley Bank and \$10,000 to Board Member Alan Stockmeister. Additionally, the Corporation owes back taxes to Jackson County for real estate totaling \$19,478.

Management has been actively involved in cleaning up the land they own in order to make it marketable. The Corporation plans to sell the land in order to liquidate all debts.

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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 Jackson County
Jackson County
408 Redondo Drive
Jackson, Ohio 45640

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Community Improvement Corporation of Jackson County, Jackson County, Ohio (the Corporation), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2016, wherein we noted the Corporation's financial statements did not include a Statement of Cash Flows and the Corporation did not have adequate support for receipts in 2013 or contract terms in 2014.

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 certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-002 and 2014-003 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 23, 2016

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code §1724.05 provides that financial statements must be prepared in accordance with Generally Accepted Accounting Principles (GAAP). Further, Community Improvement Corporations are required to file the annual reports with the Auditor of State within 120 days of year end.

The Corporation prepared its financial statements in accordance with GAAP, however, the annual report was not filed with the Auditor of State, nor did the financial statements include a Statement of Cash Flows for 2014 or 2013.

The Corporation should take steps to ensure the financial statements are filed with the Auditor of State within 120 days of year end and that the financial statements include a Statement of Cash Flows for each year.

Officials' Response: We will notify our accountants about filing annual reports with the Auditor.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness

Ohio Admin. Code §117-2-01(B) defines "Internal control" as a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets.

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. It is also important to note that independent public accountants are not part of the entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

The Corporation maintains a check register in which receipts and expenditures are recorded. The check register and monthly bank statements are sent to Adams, Tope & Moore, Inc., the Corporation's GAAP converter, to be used to record receipts and disbursements in the general ledger and to reconcile the bank account. The converter then uses the year end information to prepare GAAP financial statements.

We noted the following deficiencies in the Corporations internal controls:

- Checks are signed only by the Treasurer.
- Receipts are not written for monies received.
- Board members do not approve financial activity resulting in a lack of segregation of duties.
- Bank reconciliations are not completed until year end by the converter.

**COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002 (Continued)

Noncompliance and Material Weakness (Continued)

The Corporation should develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Corporation and thereby increasing the reliability of the financial data throughout the year.

Officials' Response: With no payroll expenses, utilities and two rent checks monthly, plus we only write one check monthly, we have adequate controls.

FINDING NUMBER 2014-003

Material Weakness

The Corporation did not keep adequate supporting documentation regarding receipts. We were unable to support scrap sales of \$23,197 in 2013. Additionally, the only support for the 2013 sale of assets of \$336,440 (GAAP Basis) is a resolution authorizing the sale. There were no receipts written or other supporting documents for the scrap sales. The sale of land did not have an official statement documenting sales price and related expenses.

Together, the scrap sales and sale of assets account for 99% of total 2013 receipts.

Additionally, in 2014 the Corporation contracted with a company to perform demolition work at the Meridian site. The contract called for the contractor to pay the Corporation \$30,000 to cover all salvageable materials and in exchange, the buildings and plant structures became property of the contractor to scrap or salvage. The contractor was not to be responsible for any EPA related issues or the clean-up of such issues without a change order. The contractor paid the Corporation only \$10,000 for the buildings and plant structures. However, an oil spill was on the property and the Corporation did not have funds to pay for that cleanup which was outside the scope of the contract. The Corporation agreed for the contractor to perform the additional work and to use the other \$20,000 as payment. This \$20,000 should have been recorded as a receipt and related payment by the Corporation, however, there is no written documentation of this transaction so an adjustment was not made to record this transaction to the audited financial statements.

The Corporation should maintain support for all receipts, including, but not limited to sales invoices, duplicate receipts, and official statements for land sales. Additionally, support should be maintained when changes are made to original contract terms.

Officials' Response: Scrap sales were the result of thefts and the thieves being caught and the money they received being turned over to us. This is now a non-issue because the building is gone and there is nothing left to scrap.



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COMMUNITY IMPROVEMENT CORPORATION OF JACKSON COUNTY

JACKSON 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
MARCH 17, 2016**