

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



PERRY & Associates

Certified Public Accountants, A.C.

DRAFT

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION FAIRFIELD COUNTY Regular Audit

For the Years Ended December 31, 2015 and 2014

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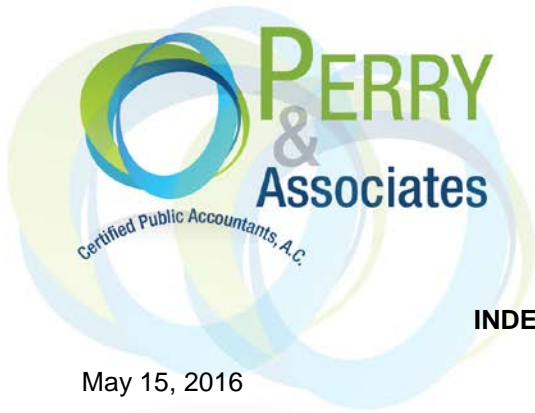
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**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY**

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INDEPENDENT AUDITOR'S REPORT

May 15, 2016

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of **Lancaster Area Community Improvement Corporation**, Fairfield County, Ohio (the Corporation), (a nonprofit organization) which comprise the statements of financial position, and the related statements of activities and cash flows as of and for the years ended December 31, 2015 and 2014, 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 the overall financial statement presentation.

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



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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 as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows 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 May 15, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." is positioned above the printed name of the firm.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 452,314	\$ 246,450
Prepaid Insurance	1,290	1,290
Land Sale Receivable	-	215,376
Loan Receivable: Current Portion	44,112	44,120
Total Current Assets	497,716	507,236
Noncurrent Assets		
Land for Investment/Sale	1,441,246	1,485,100
Loan Receivable: Long Term Portion	44,120	88,232
Total Long Term Assets	1,485,366	1,573,332
TOTAL ASSETS	\$ 1,983,082	\$ 2,080,568
LIABILITIES		
Accrued Real Estate Tax	\$ 10,635	\$ 11,702
Payable to City of Lancaster	-	65,356
TOTAL LIABILITIES	10,635	77,058
NET ASSETS		
Unrestricted	1,972,447	2,003,510
TOTAL NET ASSETS	1,972,447	2,003,510
TOTAL LIABILITIES AND NET ASSETS	\$ 1,983,082	\$ 2,080,568

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

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
REVENUES		
Sale of Land	\$ -	\$ 413,517
Dues	1,750	1,900
In-kind Rent	1,500	1,500
Interest Income	3,272	3,709
TOTAL REVENUES	<u>6,522</u>	<u>420,626</u>
EXPENSES		
Administrative Fees	3,077	14,406
Insurance	3,829	3,736
Auditing Services	4,000	2,603
Legal Services	-	382
Other Professional Services	5,000	3,160
Real Estate Taxes	11,220	11,751
In-kind Rent	1,500	1,500
Loss on Sale of Land	8,959	208,015
TOTAL EXPENSES	<u>37,585</u>	<u>245,553</u>
CHANGE IN NET ASSETS	(31,063)	175,073
NET ASSETS, BEGINNING OF YEAR	<u>2,003,510</u>	<u>1,828,437</u>
NET ASSETS, END OF YEAR	<u>\$ 1,972,447</u>	<u>\$ 2,003,510</u>

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

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (31,063)	\$ 175,073
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Decrease (Increase) in Operating Assets:		
Land Held for Sale	43,854	120,518
Land Sale Receivable	259,496	(347,728)
Prepaid Insurance	-	(93)
Accounts Receivable	-	300
	303,350	(227,003)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(65,356)	65,356
Accrued Real Estate Tax	(1,067)	(505)
	(66,423)	64,851
Net Cash Provided (Used) by Operating Activities	205,864	12,921
Net Change in Cash and Cash Equivalents	205,864	12,921
Cash and Cash Equivalents, Beginning of Year	246,450	233,529
Cash and Cash Equivalents, End of Year	\$ 452,314	\$ 246,450

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 YEARS ENDED DECEMBER 31, 2015 AND 2014

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. The Corporation 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.

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.

G. DONATED PROPERTY

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

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.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. FEDERAL INCOME TAX (Continued)

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, 2015, 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 2012, 2013 and 2014 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. DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2015 and 2014 cash and cash equivalents consisted of the following:

	2015	2014
Demand Deposits	\$ 352,314	\$ 146,450
Certificates of Deposit	100,000	100,000
Total Deposits	\$ 452,314	\$ 246,450

At the end of the year, the bank balance of the Corporation's deposits was insured by the Federal Depository Insurance Corporation.

3. LAND

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consisted of approximately 187.48 acres of land at December 31, 2015. 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.

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(CONTINUED)

3. LAND (Continued)

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. During the year ended December 31, 2015, the Corporation sold 6.659 acres of this land, but due to the sale being to a local government agency, the city declined to charge the fee to the Corporation.

4. 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	50,183
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	\$ 1,441,246

5. FURNITURE AND EQUIPMENT

Furniture and equipment consists of:

	2015	2014
Cost	\$ 3,021	\$ 3,021
Less: Accumulated Depreciation	(3,021)	(3,021)
Net Furniture and Equipment	\$ -	\$ -

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(CONTINUED)

6. 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 2015 and 2014, the lease was negotiated for \$3,200, but was not collected in 2014 or 2015.

7. LOANS RECEIVABLE

On March 27, 2013, the Corporation provided a loan of \$176,000 with an interest rate of 1.51 percent in Year 1, 2.02% in Year 2, 3.03% in Year 3, and 6.05% in Year 4, to Electrotek for use in the Company's site development. Payment terms for the loan require yearly payments of \$46,830 including interest and principal. The loan has an early payoff option, but the total amount collected will not be less than \$187,320 and is due on or before June 1, 2017. The balance at year end is \$88,232.

8. ADMINISTRATIVE FEE

A management fee is paid to the Lancaster Area Chamber of Commerce. The Corporation uses the Chamber's facilities and personnel. The fees for the years ended December 31, 2015 and 2014 were \$3,000 and \$3,000 respectively.

9. 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 years ended December 31, 2015 and 2014 were \$1,500.

10. 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.

11. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through May 15 2016, the date which the financial statements were available to be issued. No events occurred subsequent to May 15, 2016 that would require adjustment or disclosure in the financial statements.



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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**

May 15, 2016

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

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 **Lancaster Area Community Improvement Corporation**, Fairfield County (the Corporation) (a nonprofit organization) as of December 31, 2015 and 2014, and 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 May 15, 2016.

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 Entity'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.



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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 that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated May 15, 2016.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material Weakness – accrued liability adjustment	Yes	Corrected in 2015
2014-002	Material Weakness – Sale of Land	Yes	Corrected in 2015

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