

COMMUNITY IMPROVEMENT CORPORATION

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2016 and 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Community Improvement Corporation, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 30, 2017

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COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2016 and 2015

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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 statements and related notes of the Community Improvement Corporation, Harrison County, (the CIC), (a not-for-profit corporation) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America; 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.

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 adverse audit opinions.

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

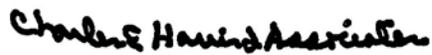
As described in Note 2 of the financial statements, the CIC prepared these financial statements using the cash basis of accounting. However, Ohio Revised Code Section 1724.05 requires the statements to follow accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of the variances between the basis of accounting described in Note 2 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse 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 statements do not present fairly the financial position, results of operations, and cash flows of the Community Improvement Corporation, Harrison County, Ohio, as of and for the years ended December 31, 2016 and 2015 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 June 29, 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.



Charles E. Harris & Associates, Inc.
June 29, 2017

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash Receipts		
Grants	\$50,454	\$95,481
<i>Total Cash Receipts</i>	50,454	95,481
Cash Disbursements		
Current:		
Advertising	20	0
Audit Costs	0	3,734
Professional fees	750	0
Contract Labor	159,604	117,120
Legal Costs	6,662	3,422
Maintenance/Repairs	510	140
Miscellaneous	3,130	449
Office Supplies/Expenses	10,797	527
Purchase of equipment	64,915	0
Telephone	1,103	1,877
Harrison County Share of Land Sale	0	50,884
Debt Relief D60 account	63,749	33,923
<i>Total Cash Disbursements</i>	311,240	212,076
<i>Excess of Receipts Over (Under) Disbursements</i>	(260,786)	(116,595)
Other Financing Receipts		
Sale of Capital Assets - Land	621,610	230,603
<i>Net Change in Fund Cash Balances</i>	360,824	114,008
<i>Fund Cash Balances, January 1</i>	337,938	223,930
<i>Fund Cash Balances, December 31</i>	\$698,762	\$337,938

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

Community Improvement Corporation
Harrison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 - Reporting Entity

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The CIC's financial statements consist of a statement of receipts, disbursements and change in fund balance (cash basis) for the general fund.

Fund Accounting

The CIC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the CIC is presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the CIC for any purpose provided it is expended or transferred according to the general laws of Ohio.

Basis of Accounting

Ohio Revised Code Section 1724.05 requires the CIC to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, however the CIC chooses to prepare its financial statements on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Management believes that these statements include adequate disclosure of material matters.

Capital Assets

The CIC records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Tax Status

The CIC 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 CIC is not subject to Ohio income taxes.

Community Improvement Corporation
Harrison County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 3 – Deposits and Investments

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

	2016	2015
Demand deposits	\$ 698,762	\$ 337,938

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 4 - Risk Management

Commercial Insurance

The CIC has obtained commercial insurance for the following risks:

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

Coverage limits were not decreased from last year and settled claims have not exceeded coverages for the past three years.

Note 5 – Contractual Services

The Harrison County Commissioners contract the CIC to administer various grants received by the County. Harrison County directly employs the CIC employees. The CIC reimburses Harrison County for wages and related payroll taxes from the portion of the grants received allocated for administration fees. For the years ended December 31, 2016 and 2015, the CIC reimbursed \$159,604 and \$117,120, respectively, to Harrison County for services provided.

Note 6 – Rent

During 2016 and 2015, the CIC entered into an agreement with the Harrison County Commissioners to lease its present office space for free.

Note 7 – Contingent Liabilities

The CIC may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suits, management believes that the resolution of these matters will not materially adversely affect the CIC's financial condition.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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 statements of the Community Improvement Corporation, Harrison County, Ohio (the CIC) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017, wherein we noted the CIC uses a special purpose framework other than generally accepted accounting principles. Also, we issued an adverse opinion on the 2016 and 2015 financial statements due to the CIC 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 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 opinions 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 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. 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 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 2016-001.

Entity's Response to Finding

The CIC's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the CIC'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 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.



Charles E. Harris and Associates, Inc.
June 29, 2017

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2016 and 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Noncompliance

Ohio Rev. Code § 1724.05 and 1726.11 require community improvement corporations, including economic development corporations and county land reutilization corporations, and development corporations established under Ohio Rev. Code Chapter 1724 and 1726, respectively, to report annually (but not necessarily account) on a accounting principles generally accepted in the United States of America (US GAAP).

The CIC filed financial statements with the Auditor of State, but those statements followed an accounting basis other than US GAAP for the years ending December 31, 2016 and 2015. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The CIC is subject to fines and various other administrative remedies.

The Board of Trustees should review the standards and ensure preparation of its financial statements in accordance with US GAAP required by Ohio Rev. Code § 1724.05 and 1726.11. Implementation of these procedures will help ensure accurate and timely financial statements in accordance with the above requirements are available to the CIC's community.

Official's Response:

See Corrective Action Plan.

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2016 and 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	ORC Section 1724.05 – Community Improvement Corporation must report in accordance with GAAP	Not corrected	Repeated as finding 2016-001

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**CORRECTIVE ACTION PLAN
December 31, 2016 and 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	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 statements 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.	N/A	Dale Arbaugh, President



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION HARRISON COUNTY OHIO

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
SEPTEMBER 12, 2017