

COMMUNITY IMPROVEMENT CORPORATION

HARRISON COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2017





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Members of the Board
Community Improvement Corporation of Harrison County
538 N Main St Ste A
Cadiz, OH 43907

We have reviewed the *Independent Auditor's Report* of the Community Improvement Corporation of Harrison County, Harrison County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. 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. The Community Improvement Corporation of Harrison County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2019

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COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2017

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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 of the cash balances, receipts and disbursements, and related notes of the Community Improvement Corporation, Harrison County, Ohio (the CIC), (a not-for-profit corporation) as of and for the year ended December 31, 2017 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 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 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 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 provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

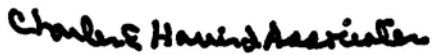
As described in Note 2 of the financial statements, the CIC prepared these financial statements using the cash basis of accounting. However, Ohio Revised Code Section 1724.05 requires the statements to follow accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and 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 significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Community Improvement Corporation, Harrison County, Ohio as of December 31, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019, 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.
May 15, 2019

Community Improvement Corporation of Harrison County
Harrison County
Statement of Receipts, Disbursements and
Changes In Fund Balance
For the Year Ended December 31, 2017

	2017
Cash Receipts	
Grants	\$ 57,303
Lease revenue	132,500
Miscellaneous	14,618
<i>Total Cash Receipts</i>	204,421
Cash Disbursements	
Current Disbursements:	
Advertising	9,091
Audit Costs	4,152
Contract Services	164,052
Legal Costs	3,475
Maintenance/Repairs	787
Miscellaneous	21,675
Office Supplies/Expenses	5,236
Memberships	1,107
Travel and Training	16,799
<i>Total Cash Disbursements</i>	226,374
<i>Excess Receipts Over (Under) Disbursements</i>	(21,953)
Other Financing Receipts (Disbursements)	
Sale of Capitals Assets - Land	35,581
<i>Total Other Financing Receipts (Disbursements)</i>	35,581
<i>Net Change in Fund Cash Balance</i>	13,628
<i>Fund Cash Balances, January 1, Restated</i>	706,374
<i>Fund Cash Balances, December 31</i>	\$ 720,002

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 Year Ended December 31, 2017

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 changes in fund balance (cash basis).

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.

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 Year Ended December 31, 2017

Note 3 – Deposits and Investments

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

	2017
Demand deposits	\$ 719,587
Cash on hand	415
Total deposits	<u>\$ 720,002</u>

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 year ended December 31, 2017, the CIC reimbursed \$154,409 to Harrison County for services provided.

Note 6 – Rent

During 2017, 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.

Community Improvement Corporation
Harrison County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Prior Period Adjustment

During the financial statement preparation, it was noted that a second bank account of the CIC and the amount of petty cash on hand were not included in the fund balance. A summary of the adjustments to beginning fund balance is presented below:

	<u>General</u>
Fund Balance, January 1	\$ 698,762
Debit Card Account	7,017
Cash on Hand	505
Void check	90
Restated Fund Balance, January 1	<u>\$ 706,374</u>

**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 year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2019, wherein we issued an adverse opinion on the CIC's financial statements because the CIC did not follow accounting principles generally accepted in the United States of America as required by Ohio Revised Code 1724.05.

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 opinion 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 CIC'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 2017-001.

We also noted certain matters not requiring inclusion in this report that we reported to the CIC's management in a separate letter dated May 15, 2019.

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

Charles E. Harris and Associates, Inc.
May 15, 2019

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

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 generally accepted accounting principles basis.

The CIC filed financial statements with the Auditor of State, but those statements followed an accounting basis other than generally accepted accounting principles for the year ending December 31, 2017. 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 would 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 – Prepared by Management
For the Year Ended December 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC Section 1724.05 – Community Improvement Corporation must report in accordance with GAAP	Not corrected	See Corrective Action Plan

**COMMUNITY IMPROVEMENT CORPORATION
HARRISON COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	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

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OHIO AUDITOR OF STATE KEITH FABER



COMMUNITY IMPROVEMENT CORPORATION OF HARRISON COUNTY

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, 2019**