

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019





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Columbus, Ohio 43215
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(800) 282-0370

Executive Committee
Lancaster Area Community Improvement Corporation
109 North Broad Street, Suite 100
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of the Lancaster Area Community Improvement Corporation, Fairfield County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. 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 Lancaster Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

October 22, 2020

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LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY, OHIO
Regular Audit
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

To the Executive Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the Lancaster Area Community Improvement Corporation, Fairfield County, Ohio (the Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, Ohio, as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact the subsequent period of the Corporation. We also noted the planned dissolution of the Corporation in 2020. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2020, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 Corporation's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
August 5, 2020

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 422,441
Investments	100,000
Prepaid expenses	1,290
Total Current Assets	<u>523,731</u>

Noncurrent Assets:

Land	989,959
Land improvements	19,291
Total Noncurrent Assets	<u>1,009,250</u>

TOTAL ASSETS	<u><u>\$ 1,532,981</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Prepaid lease income	\$ 8,184
Real estate taxes payable	3,982
Total Current Liabilities	<u>12,166</u>

NET ASSETS

Without Donor Restrictions	1,520,815
Total Net Assets	<u>1,520,815</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,532,981</u></u>
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**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

PUBLIC SUPPORT AND REVENUE:

Interest income	\$ 814
Donations - In-Kind Rent	1,500
Membership Dues	1,500
Land Sales	1,421,402
Rent	9,092
Total Public Support and Revenue	<u>1,434,308</u>

EXPENSES:

Advertising expenses	48
Audit fees	5,124
Bank fees	170
Cost of Land Sale	451,288
In-kind rent	1,500
Insurance	4,106
Legal fees	10,368
Management fees	3,000
Phase II reimbursement	1,324,576
Real estate taxes	3,982
Real estate expenses-other	33,388
Surveying	5,000
Total Expenses	<u>1,842,550</u>

Decrease in Net Assets (408,242)

NET ASSETS AT BEGINNING OF YEAR 1,929,057

NET ASSETS AT END OF YEAR \$ 1,520,815

See accompanying notes to the basic financial statements.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities

Changes in net assets from activities	\$ (408,242)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Decrease in land	451,288
Decrease in real estate taxes	(5,098)
Decrease in accounts payable	(5,000)
Decrease in prepaid lease income	(372)
Net cash provided by operating activities	<u>32,576</u>

Cash and Cash Equivalents at Beginning of Year 389,865

Cash and Cash Equivalents at End of Year \$ 422,441

See accompanying notes to the basic financial statements.

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and Executive Committee.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Corporation had no Net assets with donor restrictions at December 31, 2019.

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.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Asset Type	Years
Equipment	5-10
Furniture	5-10
Buildings and Improvements	10-20

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.

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, 2019, 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 2016, 2017, and 2018 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.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2019 cash and cash equivalents consisted of the following:

	<u>2019</u>
Demand Deposits	\$422,441
Certificates of Deposit	<u>100,000</u>
Total Deposits	<u>\$522,441</u>

Deposits are insured by the Federal Depository Insurance Corporation and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

3. AVAILABILITY AND LIQUIDITY

The following represents the Corporation's financial assets at December 31, 2019

Financial assets at year end:

Cash and Investments	\$522,441
Investments	<u>(100,000)</u>
Total financial assets available to meet General expenditures over next 12 months	<u>\$422,441</u>

4. LAND

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consisted of approximately 129.62 acres of land at December 31, 2019. 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.

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 18 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. The Corporation executed two land sales in 2019. 24.516 acres were sold to Mill Park Drive Columbus, Ohio, LLC for \$1.00 for the purpose of constructing the new Magna International Seating Factory. The City of Lancaster waived the improvement reimbursement owed by the Corporation as part of the deal. 42.050 acres were sold to South Central Power for the purpose of building a new headquarters, at a price of \$1,421,402. The Corporation reimbursed the City of Lancaster in the amount of \$1,324,576 per the agreement outlined above.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

5. ASSETS HELD FOR RESALE

Assets held for resale consist of the following properties:

<u>Parcel Number and Description</u>	<u>Cost</u>
053-13530-00; Mill Park Drive, Rock Mill Corporate Park	\$ 74,418
053-13531-00; Mill Park Drive, Rock Mill Corporate Park	132,774
053-13534-00; 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	489,585
053-10040-40; W Fair Avenue, R 19 T 15 S 33 NE	<u>14,776</u>
Total	<u>\$ 989,959</u>

6. LAND IMPROVEMENTS

During 2019, the Corporation did not invest in any land improvements.

7. 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 untilable 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 Executive Committee. For 2018, the lease was re-negotiated for a term of three years for \$80 per acre. In 2018, 134 acres were farmed and \$10,720 was collected per the lease agreement. In 2017, the Corporation also entered into a new lease agreement with National Power Cooperative, Inc. for four acres of land for the purposes of a solar field. The four acres was leased for \$1.00 per year for the next 25 years. As part of the Solar field agreement the local electric cooperative South Central Power Co. also agreed to pay the Corporation the farm lease value for the 4 acres at a rate of \$372 per year for the next 25 years. The total balance for the 25 year value was paid in advance in the amount of \$9,300.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 fee for the year ending December 31, 2019, was \$3,000.

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 year ending December 31, 2019, was \$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 United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact the subsequent period of the Corporation. The Corporation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. The impact on the Corporation's investments, future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Subsequent to August 5, 2020, the Board of the Corporation scheduled a meeting to vote to dissolve the Corporation in October 2020. The Lancaster Port Authority agreed to accept the assets of the Corporation.

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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 BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Lancaster Area Community Investment Corporation
Fairfield County
109 N. Broad Street, Suite 100
Lancaster, Ohio 43130

To the Executive Committee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Lancaster Area Community Improvement Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2019 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 August 5, 2020. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact the period subsequent to 2019 and the planned dissolution of the Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

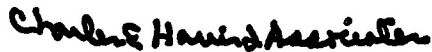
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 5, 2020

Lancaster Area Community Improvement Corporation
Fairfield County

SCHEDULE OF AUDIT FINDINGS
December 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Material Weakness

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14 Not for Profit Entities (Topic 958) – *Presentation of Financial Statements of Not for Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The amendments to this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

In the report filed on the Hinkle System for the year ended December 31, 2019, the Lancaster Area Community Improvement Corporation did not implement this update. The audit report has adjusted the presentation of the financial statement ending December 31, 2019 to comply with the FASB issued ASU 2016-14 Not for Profit Entities (Topic 958). The ASU has been applied retrospectively to all periods presented.

The Board of Trustees should review the standards and ensure preparation of its financial statements in accordance with the latest FASB updates. Implementation of these procedures would help ensure accurate and timely financial statements in accordance with the above requirements are available to the Lancaster Area Community Improvement Corporation community.

Official's Response:

See Corrective Action Plan on page 15.

Lancaster Area Community Improvement Corporation
Fairfield County
For the Year Ended December 31, 2019

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2018-001	Material Weakness – Financial Statement Presentation	Not corrected	See finding 2019-001

Lancaster Area Community Improvement Corporation
Fairfield County
For the Year Ended December 31, 2019

CORRECTIVE ACTION PLAN - PREPARED BY MANAGEMENT

FINDING NUMBER	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The Executive Committee will review the accounting standards to ensure preparation of its financial statements are in accordance with the latest FASB updates.	By the end of 2020	Travis Markwood, Assistant Secretary

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OHIO AUDITOR OF STATE KEITH FABER



LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION

FAIRFIELD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/5/2020

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This report is a matter of public record and is available online at
www.ohioauditor.gov