



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION
NOBLE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation
Noble County
536 Main Street
Caldwell, Ohio 43724

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement of the Community Improvement Corporation, Noble County, Ohio (the Corporation), as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement 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 that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statement, the Corporation prepared the financial statement using cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Revised Code Section 1724.05 requires the statement to follow accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 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 described in the *Basis for Adverse Opinion* paragraph, the financial statement referred to above does not present fairly the financial position of the Community Improvement Corporation, Noble County, Ohio, as of and for the years ended December 31, 2013, 2012 and 2011, or the changes in financial position or cash flows thereof for the years then ended 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 May 22, 2014, 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

May 22, 2014

**NOBLE COUNTY IMPROVEMENT CORPORATION
NOBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

	2013	2012	2011
Cash Receipts:			
Grants			\$521,875
Rent/Lease		\$211,226	15,696
Interest	\$434		95
Donations			4,020
Miscellaneous	1,545	200	33,858
	<u>1,979</u>	<u>211,426</u>	<u>575,544</u>
Total Cash Receipts	<u>1,979</u>	<u>211,426</u>	<u>575,544</u>
Cash Disbursements:			
Current:			
Advertising		203	
Bank Service Charges	6,266	15	4,531
Contract Labor	15,707	6,887	5,961
Dues and Subscriptions		250	
Insurance		16,497	9,476
Office Supplies			103
Utilities	2,164	29,075	8,624
Professional Fees		7,673	10,068
Property Taxes	79,700		
Other Expenses	15,000	48,050	
Debt Service:			
Redemption of Principal	622,708	5,000	1,040,417
Interest and Other Fiscal Charges	409	2,422	14,217
	<u>741,954</u>	<u>116,072</u>	<u>1,093,397</u>
Total Cash Disbursements	<u>741,954</u>	<u>116,072</u>	<u>1,093,397</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(739,975)</u>	<u>95,354</u>	<u>(517,853)</u>
Other Financing Receipts/(Disbursements):			
Sale of Personal Property	130,500	122,596	
Sale of Real Property	1,000,000	7,065	
Purchase of Real Property			(1,080,000)
Loan Proceeds			1,568,125
	<u>1,130,500</u>	<u>129,661</u>	<u>488,125</u>
Total Other Financing Receipts/(Disbursements)	<u>1,130,500</u>	<u>129,661</u>	<u>488,125</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	390,525	225,015	(29,728)
Cash Balance, January 1	<u>246,318</u>	<u>21,303</u>	<u>51,031</u>
Cash Balance, December 31	<u>\$636,843</u>	<u>\$246,318</u>	<u>\$21,303</u>

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

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**COMMUNITY IMPROVEMENT CORPORATION
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Improvement Corporation (the Corporation) is a not-for-profit corporation and was incorporated in 1963 under authority of Ohio Rev. Code Section 1702.01 and Chapter 1724. The Corporation is governed by 5 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 Noble County.

The Corporation's management believes the financial statement presents all activities for which the Corporation is financially accountable.

B. Accounting Basis

Although required by Ohio Rev. Code Section 1724.05 to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation is a nonprofit corporation exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

D. Property, Plant, and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. Deposits

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$636,843</u>	<u>\$246,318</u>	<u>\$21,303</u>

**COMMUNITY IMPROVEMENT CORPORATION
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2013, 2012 AND 2011
(Continued)**

3. Land and Buildings

The Corporation purchased the Mahle Engine Components facility from Mahle Engine Components USA, Inc., on March 31, 2012 for \$1,100,000. This included both the 233,000 square-foot industrial/manufacturing facility and approximately 41.56 acres of related land. On January 9, 2013, the Corporation sold the manufacturing facility and acreage to G-R Contracting, Inc.

4. Risk Management

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

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

5. Contingent Liabilities

The Corporation received financial assistance from state agencies in the form of grants. The expenditures of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Corporation at December 31, 2013.



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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
Noble County
536 Main Street
Caldwell, Ohio 43724

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 statement of the Community Improvement Corporation, Noble County, Ohio (the Corporation), as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statement, and have issued our report thereon dated May 22, 2014, wherein we noted the Corporation uses a special purpose framework other than generally accepted accounting principles. Also, we issued an adverse opinion on the 2013, 2012 and 2011 financial statement due to the Corporation failing to prepare a financial statement that followed accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As a 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 statement, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 statement. 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. We consider finding 2013-002 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statement is 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 2013-001 through 2013-002.

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.



Dave Yost
Auditor of State

Columbus, Ohio

May 22, 2014

**COMMUNITY IMPROVEMENT CORPORATION
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code § 1724.05 requires each community improvement corporation established under Ohio Rev. Code Chapter 1724 to report annually in accordance with generally accepted accounting principles. Auditor of State Bulletin 2005-002 describes the accounting and financial statement presentation requirements for GAAP-mandated entities.

The Corporation prepared its financial statements and notes on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit the financial position of the Corporation at December 31, 2011, 2012 and 2013, changes in financial position or cash flows, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed in accordance with generally accepted accounting principles.

FINDING NUMBER 2013-002

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

During 2011, the Treasurer posted certain transactions incorrectly as follows:

- Received an Ohio Industrial Park loan in the amount of \$453,125, which was recorded as Intergovernmental Revenue instead of Proceeds of Debt;
- Took out a loan in the amount of \$1,040,000 from Peoples Bank to secure the purchase of the Mahle property; however, the Corporation did not record this loan. The loan should have been posted as Proceeds of Loan and Capital Outlay;
- Took out a loan in the amount of \$75,000 from Peoples Bank to payoff the \$1,040,000 loan; however, the Corporation did not record this loan. The loan should have been posted as Proceeds of Loan and Principal Payment (\$65,000) and Interest Payment (\$10,000);
- Two certificates of deposit in the amount of \$3,041 were cashed in and a savings account was opened. The activity was not recorded by the Corporation. The activity should have been posted to Miscellaneous Revenue (\$3,400), Interest (\$1) and Cash (\$3,401);
- Principal payment on the \$1,040,000 loan in the amount of \$975,000 was posted to Other Expenses instead of Principal Payment;
- \$40,000 paid into escrow for the purchase of the Mahle property was posted to Other Expenses instead of Capital Outlay; and
- \$8,968 of real estate taxes paid directly by the bank to the County as a part of the purchase of the Mahle property was not recorded by the Corporation. The payment should have been posted to Proceeds of Loan and Real Estate Taxes.

**COMMUNITY IMPROVEMENT CORPORATION
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

During 2013, the Treasurer posted certain transactions incorrectly as follows:

- The Mahle property was sold in the amount of \$1,000,000. The Corporation only recorded the net settlement in the amount of \$390,917 to Sale of Assets. \$79,700 should have been posted as Sale of Real Estate and as Real Estate Taxes Expenses, \$523,117 should have been posted as Sale of Real Estate and as Principal Payment Expenses and \$6,266 should have been posted as Sale of Real Estate and as Bank Charge Expenses.

These reclassification and adjustments were due to a lack of management oversight. The significant reclassifications and adjustments, with which management agrees, were posted to the financial statements of the Corporation.

We recommend the Treasurer refer to the Ohio Administrative Code for proper classification and take additional care in posting transactions to the Corporation's ledgers in order to ensure the year-end financial statements reflect the appropriate sources of the Corporation's receipts and expenditures.

Officials' Response: Management declined to respond to the aforementioned findings.



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COMMUNITY IMPROVEMENT CORPORATION

NOBEL 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
JUNE 5, 2014**