



Dave Yost • Auditor of State

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Financial Position as of December 31, 2012	3
Statement of Activities for the Year Ended December 31, 2012	4
Statement of Cash Flows for the Year Ended December 31, 2012.....	5
Statement of Financial Position as of December 31, 2011	6
Statement of Activities for the Year Ended December 31, 2011	7
Statement of Cash Flows for the Year Ended December 31, 2011.....	8
Notes to the Financial Statements	9
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Highland County Community Improvement Corporation
Highland County
100 North High Street
Hillsboro, Ohio 45133

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 that we plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the 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 such 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 overall financial statement presentation.

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

Basis for Qualified Opinion

Management did not provide documentation to support certain Statement of Financial Position accounts: Construction Costs-WIP, Real Estate, Deposits-HCC and Deposits HCHD, and Unrestricted Net Assets; Statement of Activity transaction line item: Depreciation Expense; and certain Statement of Cash Flows line items: Depreciation expense and related Net Income. We cannot reasonably determine the correct amount of the related assets, liabilities, net assets, net income and cash flows.

Qualified Opinion

In our opinion, except for the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the changes in financial position thereof for the year 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 December 18, 2013, 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

December 18, 2013

Highland County Community Improvement Corporation

Statement of Financial Position

As of December 31, 2012

ASSETS

Current Assets

Checking/Savings

 Merchants \$ 148,019.10

 Savings Account 66,473.21

Total Checking/Savings 214,492.31

 Construction Costs-WIP 574,866.78

Total Current Assets 574,866.78

Total Current Assets 789,359.09

Fixed Assets

 Land 158,662.00

 Real Estate 2,003,704.07

 Accumulated Depreciation (291,187.84)

Total Fixed Assets 1,871,178.23

TOTAL ASSETS \$ 2,660,537.32

LIABILITIES & EQUITY

Liabilities

Current Liabilities

 Accounts Payable \$ 141,561.94

 Deposits- HCC 223,066.66

 Deposits- HCHD 71,866.66

 Other Current Liabilities 5,365.40

Total Current Liabilities 441,860.66

Long-term Liabilities

 Loan- 86769 252,121.80

 Loan- 84654 684,070.02

 Loan RLF 114,073.80

Total Other Current Liabilities 1,050,265.62

Total Liabilities 1,492,126.28

Net Assets

 Unrestricted Net Assets 1,168,411.04

Total Net Assets 1,168,411.04

TOTAL LIABILITIES & EQUITY \$ 2,660,537.32

Highland County Community Improvement Corporation

Statement of Activities

For the twelve months ending December 31, 2012

Ordinary Income/Expense

Income

Building Rent	\$ 113,069.60
Condo Fee	256,301.50
Miscellaneous	1,430.79
Electric	2,065.66
Interest Income	200.52
Lease	16,656.80

Total Income	389,724.87
---------------------	-------------------

Expense

Advertising	149.80
Bank Service Charges	2.96
Board Meeting Expense	440.00
Building Administration	6,564.45
Building Management	6,500.00
Depreciation Expense	39,799.22
Economic Development	-
Interest Expense	50,752.71
Janitorial	11,291.25
Miscellaneous	1,173.56
Office supplies	581.33
Pest Control	1,140.00
Postage	44.00
Printing and Reproduction	127.12
Professional Fees	2,090.00
Property Maintenance	8,182.00
Property Tax	25,649.30
Repairs & Maintenance	38,615.16
Trash Removal	4,925.57
Utilities	100,245.39

Total Expense	298,273.82
----------------------	-------------------

Net Income	\$ 91,451.05
-------------------	---------------------

Highland County Community Improvement Corporation

Statement of Cash Flows

For the twelve months ending December 31, 2012

OPERATING ACTIVITIES	
Net Income	\$ 91,451.05
Depreciation	39,799.22
Adjustments to reconcile Net Income to net cash provided by operations:	
Construction Costs- WIP	-
Accounts Payable	119,824.87
Other Current Liability	5,365.40
Net cash provided by Operating Activities	<u>256,440.54</u>
INVESTING ACTIVITIES	
Purchases of Fixed Assets	(47,268.99)
Net cash provided by Investing Activities	<u>(47,268.99)</u>
FINANCING ACTIVITIES	
Loan proceeds	-
Principal payments	(113,110.97)
Net cash provided by Financing Activities	<u>(113,110.97)</u>
Net cash increase for period	96,060.58
Cash at beginning of period	118,431.73
Cash at end of period	<u><u>\$ 214,492.31</u></u>

Highland County Community Improvement Corporation

Statement of Financial Position

As of December 31, 2011

ASSETS

Current Assets

Checking/Savings

 Merchants \$ 65,304.41

 Savings Account 53,127.32

Total Checking/Savings 118,431.73

 Construction Costs-WIP 574,866.78

Total Current Assets 574,866.78

Total Current Assets 693,298.51

Fixed Assets

 Land 158,662.00

 Real Estate 616,054.36

 Real Estate- Unit #2 344,965.45

 Real Estate-(2) Hospital 995,415.29

 Accumulated Depreciation (251,388.62)

Total Fixed Assets 1,863,708.48

TOTAL ASSETS \$ 2,557,006.99

LIABILITIES & EQUITY

Liabilities

Current Liabilities

 Accounts Payable \$ 21,737.07

 Deposits- HCC 223,066.66

 Deposits- HCHD 71,866.66

Total Current Liabilities 316,670.39

Long-term Liabilities

 Loan- 6401/86769 312,295.87

 Loan- 84654 722,874.21

 Loan RLF 128,206.53

Total Other Current Liabilities 1,163,376.61

Total Liabilities 1,480,047.00

Net Assets

 Unrestricted Net Assets 1,076,959.99

Total Net Assets 1,076,959.99

TOTAL LIABILITIES & EQUITY \$ 2,557,006.99

Highland County Community Improvement Corporation

Statement of Activities

For the twelve months ending December 31, 2011

Ordinary Income/Expense

Income

Building Rent	\$ 115,933.01
Condo Fee	272,988.97
Construction Reimbursement	1,166.00
Economic Development Incentive	226,713.08
Electric	11,507.83
Interest Income	175.77
Lease	16,363.00

Total Income

644,847.66

Expense

Advertising	437.40
Bank Service Charges	4.56
Board Meeting Expense	120.00
Building Administration	4,200.00
Building Management	9,074.99
Depreciation Expense	35,072.32
Economic Development	226,713.08
Interest Expense	58,507.12
Janitorial	11,825.17
Miscellaneous	29.79
Paper Advertisement	41.75
Pest Control	1,235.00
Postage	132.00
Professional Fees	8,993.78
Property Maintenance	12,731.26
Property Tax	24,195.09
Repairs & Maintenance	25,432.60
Trash Removal	3,896.66
Utilities	99,549.39

Total Expense

522,191.96

Net Income

\$ 122,655.70

Highland County Community Improvement Corporation

Statement of Cash Flows

For the twelve months ending December 31, 2011

OPERATING ACTIVITIES	
Net Income	\$ 122,655.70
Depreciation	35,072.32
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Payable	10,936.14
Net cash provided by Operating Activities	<u>168,664.16</u>
INVESTING ACTIVITIES	
Purchases of Fixed Assets	-
Net cash provided by Investing Activities	<u>-</u>
FINANCING ACTIVITIES	
Loan proceeds	-
Principal payments	(107,021.34)
Net cash provided by Financing Activities	<u>(107,021.34)</u>
Net cash increase for period	61,642.82
Cash at beginning of period	56,788.91
Cash at end of period	<u><u>\$ 118,431.73</u></u>

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012 and DECEMBER 31, 2011

REPORTING ENTITY

ORGANIZATION

The Community Improvement Corporation of Highland County, Highland Ohio (the Corporation), is an Ohio corporation established under sections 1724.01 et seq. of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Highland County. The Corporation is a legally, separate, non-profit organization, served by an eleven member board comprised of County officials and community representatives.

The Corporation was created to advance, encourage, and promote the industrial, economic, commercial and civic development of Highland County and the surrounding community in whatever way and by such means as will improve the normal growth, employment opportunities, and the stability of employment in existing industries. The Corporation is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Corporation.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting principles generally accepted in the United States of America (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for non-profit organizations.

Basis of Presentation

The Corporation's financial statements consist of statement of financial position, statement of activities and statement of cash flows.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-225. Accordingly, the Corporation is required to report information regarding its financial position and activities according to three classes: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, the Corporation has only unrestricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted support unless there are any donor-imposed restrictions.

Capital Assets

Capital assets are started at cost and are depreciated over the estimated useful lives by the straight-line method of depreciation for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. The capitalization threshold is \$500.

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2012 and DECEMBER 31, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Tax Status

The Corporation has qualified for a tax exemption under the section 501 C (3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Cash and Carry Equivalents

For purposes of the statements of cash flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

CASH AND CASH EQUIVALENTS

At December 31, 2012 and 2011, cash and cash equivalents consisted of the following:

	<u>2012</u>	<u>2011</u>
Merchants Bank checking	\$ 148,019.10	\$ 65,304.41
Merchants Bank savings	<u>66,473.21</u>	<u>53,127.32</u>
	<u>\$ 214,492.31</u>	<u>\$ 118,431.73</u>

At the end of each year, the carrying amount of the corporation's deposits was covered by the Federal Deposit Insurance Corporation.

CAPITAL ASSETS

The Corporation's Capital Assets at December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 158,662.00	\$ 158,662.00
Real estate	<u>2,003,704.07</u>	<u>1,956,435.10</u>
	<u>2,162,366.07</u>	<u>2,115,097.10</u>
Less: Accumulated Depreciation	<u>(291,187.84)</u>	<u>(251,388.62)</u>
Capital Assets, Net	<u>\$ 1,871,178.23</u>	<u>\$ 1,863,708.48</u>

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and DECEMBER 31, 2011**

DEBT

The Corporation's debt outstanding at December 31, 2012 and 2011 was as follows:

	2012	2011
Merchants National Bank 84654	\$ 684,070.02	\$ 722,874.21
Merchants National Bank 86401	252,121.80	312,295.87
Hillsboro Revolving Loan	<u>114,073.80</u>	<u>128,206.53</u>
	<u>\$1,050,265.62</u>	<u>\$ 1,163,376.61</u>

The Merchants National Bank # 84654 was approved to pay off a loan with Fifth Third Bank that was for the purchase of 9.556 acres and a building. This note is renewable each year.

The Hillsboro Revolving Loan was approved to finance the renovation of the HVAC and office space at the 9.556 acre property.

The Merchants National Bank # 86401 was approved to make improvements to the office space that has been leased by the Highland District Hospital for doctor offices.

CONSTRUCTION IN PROGRESS

The Corporation is developing a building with office condominiums that can be purchased or leased from the organization. All costs invested in this development are capitalized as work in process until condominiums are completed and available for purchase or lease.

DEPOSITS

All deposits of money for condos are shown as a current liability until the purchase of the condominium is completed and a real estate settlement transaction has occurred.

RELATED PARTY TRANSACTIONS

James Evans, the Treasurer of the Highland County Community Improvement Corporation, is also the vice-president of Merchants National Bank in Hillsboro, Ohio. The Highland County Community Improvement Corporation utilizes Merchants National Bank for their banking services for their checking accounts and debt issues.

CONCENTRATIONS

The Highland County Community Improvement Corporation depends on condo fees and building rent for its continued existence.

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 and DECEMBER 31, 2011**

INSURANCE

The Highland County Community Improvement Corporation maintains property insurance through a private insurance carrier. There has been no significant change in coverage in the past three years. There have been no claims that canceled coverage in the past three years.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Highland County Community Improvement Corporation
Highland County
100 North High Street
Hillsboro, Ohio 45133

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 Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2013, wherein we noted documentation supporting certain Statement of Financial Position accounts: Construction Costs-WIP, Real Estate, Deposits-HCC and Deposits HCHD, and Unrestricted Net Assets; Statement of Activity transaction line item: Depreciation Expense; and certain Statement of Cash Flows line items: Depreciation expense and related Net Income was not provided.

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.

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 a 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. We consider finding 2012-001 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 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

December 18, 2013

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

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

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

FINDING NUMBER 2012-01

Noncompliance and Material Weakness

Ohio Administrative Code section 117-2-02 requires all public officials to 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 related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Corporation lacked management oversight in the proper reporting of certain accounts and transaction line items resulting in the following conditions:

- *Statement of Financial Position accounts - Construction Costs-WIP and Real Estate asset accounts and the corresponding Current Assets and Fixed Assets classifications:* The Corporation has recorded \$574,867 as Construction Costs in Progress since December 31, 2007. Corporation management discloses that "all costs invested in this development are capitalized as work in process until condominiums are completed and available for purchase or lease"; however, based on the Corporation's reported 2012 Building Rent and Condo Fees of \$155,201 and \$214,170 respectively, it appears that the condominiums are completed. Also, the Corporation did not provide documentation related to the source of the \$574,867 in Construct Costs in Progress.
- *Statement of Financial Position accounts - Deposits-HCC and Deposits HCHD accounts and the corresponding current liabilities classification:* the Corporation recorded current liabilities totaling \$294,933. The Corporation discloses that "deposits of money for condos are shown as a current liability until the purchase of the condominium is complete and a real estate settlement transaction has occurred"; however, the Corporation did not provide documentation which identified individuals for whom they were holding deposits.
- *Statement of Financial Position account, Statement of Activities and Statement of Cash Flows transaction line items – Unrestricted Net Assets Account, Depreciation expense and related Net Income:* The Corporation has recorded no depreciation expense for completed condominiums.
- Condo fees were posted as building rent in 2012 in the amount of \$42,131.
- Condo fees were posted as building rent in 2011 in the amount of \$59,787.
- Condo fees were posted as lease income in 2011 in the amount of \$72,965.

The Corporation recorded audit adjustments to the financial statements to correct the inaccurate posting of the condo fees. The Corporation's lack of documentation related to Construction Costs-WIP and Deposits resulted in a modified audit opinion.

**FINDING NUMBER 2012-01
(Continued)**

Failure to accurately post and report transactions could result in material errors in the Corporation's financial statements and reduces the Corporation's ability to monitor financial activity and to make sound decisions which affect the overall available cash position of the Corporation.

We recommend that the Corporation review and determine if above projects have been completed and make the required adjustments to accurately reflect amounts on the related Statement of Financial Position, Statement of Activities and Statement of Cash Flows. We also recommend that the Corporation to implement controls to ensure the accurate posting of condo fees.

We did not receive a response from officials to this finding.



Dave Yost • Auditor of State

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

HIGHLAND 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
JANUARY 2, 2014**