



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Community Improvement Corporation
Gallia County
16 State Street
P.O. Box 465
Gallipolis, Ohio 45674

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation, Gallia County, Ohio (the Corporation), as of and for the years ended December 31, 2016 and 2015, 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Improvement Corporation, Gallia County, Ohio, as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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, 2017, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 18, 2017

Community Improvement Corporation
Gallia County

STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 235,091
	<hr/>
Total current assets	235,091
	<hr/>

NONCURRENT ASSETS

Property and Equipment, Net of Accumulated Depreciation	23,786
Land	1,429,039
	<hr/>
Total noncurrent assets	1,452,825
	<hr/>
	\$ 1,687,916
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Customer Deposits	\$ 175,000
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LONG-TERM DEBT

Long-term Debt	340,000
	<hr/>

NET ASSETS

Unrestricted net assets	1,172,916
	<hr/>
	\$ 1,687,916
	<hr/> <hr/>

See accompanying Notes to the Financial Statements.

Community Improvement Corporation
Gallia County

STATEMENT OF ACTIVITIES

For the year ended December 31, 2016

CHANGES IN NET ASSETS

Operating Revenues	
Property Lease	\$ 6,600
Interest Income	554
Other	70
	<hr/>
Total Operating Revenues	7,224

Operating Expenses	
Project Expense	22,708
Loss on Disposal of Property	870,818
Depreciation and Amortization	5,984
Marketing, Meetings, and Travel	28,121
Legal and Professional	2,960
Service Contract	28,500
Interest Expense	15,555
Other Expenses	617
	<hr/>
Total Operating Expenses	975,263

CHANGES IN NET ASSETS FROM OPERATIONS (968,039)

Net Assets, beginning of year	<hr/> 2,140,955
Net Assets, end of year	<hr/> <hr/> \$ 1,172,916

See accompanying Notes to the Financial Statements.

Community Improvement Corporation
Gallia County

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in Net Assets	\$ (968,039)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation and amortization	5,984
Loss on disposal, land	870,818
Decrease (increase) in deposits	21
Increase (decrease) in accounts payable	(71)
Increase (decrease) in accrued expenses	(1,010)
Net cash provided by (used in) operating activities	<u>(92,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment, land	(34,642)
Sale of investment, land	122,292
Net cash provided by (used in) investing activities	<u>87,650</u>
Net increase (decrease) in cash	(4,647)
CASH AT BEGINNING OF YEAR	<u>239,738</u>
CASH AT END OF YEAR	<u>\$ 235,091</u>

See accompanying Notes to the Financial Statements

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**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Improvement Corporation, Gallia County, Ohio (the Corporation), is a not-for-profit corporation and was incorporated on December 2, 1964, under the authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by an appointed Board of Trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development of Gallia County, Ohio.

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

B. Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis.

In 1994, the Corporation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements for Non-For-Profit Organizations" (SFAS No. 117). The statements of the new standards have been applied to the years presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporary restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulation that they be maintained permanently or until all donor imposed restrictions are met by the organization. Generally, the donors of these assets permitted organizations to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2016, all assets were unrestricted.

C. Tax Status

The Corporation has been recognized by the State of Ohio as a tax-exempt organization and by the Internal Revenue Service as a Section 501(C)(4) nonprofit organization. Accordingly, the federal tax status would reflect the Corporation's tax exempt status. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

D. Depreciation

The organization provides for depreciation in amounts adequate to amortize costs over the estimated useful lives of the assets.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Depreciation (Continued)

Certain assets are being depreciated under the straight line method for both financial book and tax purposes. The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles. Depreciation charged to operations was \$5,984 for the year ended December 31, 2016.

E. Use of Estimates

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

2. Property, Plant, Equipment and Land

Property and equipment and related accumulated depreciation at December 31, 2016 are as follows:

	2016
Land	\$ 1,429,039
Land Improvements	15,002
Leasehold Improvements	2,000
Furniture, Fixtures, & Equipment	56,852
Less: Accumulated Depreciation	(50,068)
	\$ 1,452,825

3. Industrial Park

This property consists of raw land and development costs expended to date on the Industrial Park and sewer project on State Route 850 in Gallia County, Ohio. Several businesses have moved into the Industrial Park as of December 31, 2016.

4. Cash

The Corporation maintains a checking account and market watch account. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of these amounts are uninsured. The carrying amount of cash at December 31 was as follows:

	2016
Total demand deposits	\$ 235,091

Concentration of Credit Risk: The Corporation's cash is placed with institutions with high credit ratings. This policy limits the Corporation's exposure to credit risk. However, at various times throughout the year, the Corporation carried amounts in excess of federally insured limits with a local bank.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

5. Notes Payable

Term debt consists of the following notes payable at December 31:

	<u>2016</u>
4.75% Variable-rate payable of New York Prime plus 1% in monthly installments of \$1,123.89 of interest only and one payment of \$341,244 of interest and principal on 09/17/2018. Interest payments vary with the number of days in the month and the interest rate. The collateral consists of commercial mortgage and assignment of leases and rents of even date	\$ 340,000

6. Advertising and Marketing

The Corporation's policy is to currently expense all advertising and marketing costs as the benefit is directly related to current periods with minimal future benefit.

7. Related-Party Transactions

Sale of 47 acres of property from the original Industrial Park on February 16, 2016 in the amount of \$125,000 to Hidden Valley Leasing, LLC. Board member Robert Foster is a principal in Hidden Valley Leasing, LLC.

The purchase of a lot at 356 Second Avenue, Gallipolis, Ohio on May 5, 2016 in the amount of \$17,394 from the City of Gallipolis. CIC Board member, Tony Gallagher, serves as a City Councilman for the City of Gallipolis.

8. Loss on Disposition

Per agreement, 18.04 acres of Industrial Park property reverted to Bob Evans Farms in 2000. However, the loss of \$312,934 was not recognized until the final parcels of land were sold in 2016.

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Community Improvement Corporation
Gallia County

STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 239,738
	<hr/>
Total current assets	239,738
	<hr/>

NONCURRENT ASSETS

Property and Equipment, Net of Accumulated Depreciation	29,769
Deposits	21
Land	2,387,508
	<hr/>
Total noncurrent assets	2,417,298
	<hr/>
	\$ 2,657,036
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Intergovernmental Payable	\$ 71
Accrued Expenses	1,010
Customer Deposits	175,000
	<hr/>
Total current liabilities	176,081
	<hr/>

LONG-TERM DEBT

Long-term Debt	340,000
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NET ASSETS

Unrestricted net assets	2,140,955
	<hr/>
	\$ 2,657,036
	<hr/> <hr/>

See accompanying Notes to the Financial Statements.

Community Improvement Corporation
Gallia County

STATEMENT OF ACTIVITIES

For the year ended December 31, 2015

CHANGES IN NET ASSETS

Operating Revenues

Interest Income	\$ 1,265
Other	50

Total Operating Revenues	<u>1,315</u>
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Operating Expenses

Project Expense	22,625
General and administrative expenses	<u>28,890</u>

Total Operating Expenses	<u>51,515</u>
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CHANGES IN NET ASSETS FROM OPERATIONS (50,200)

Net Assets, beginning of year	<u>2,191,155</u>
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Net Assets, end of year	<u><u>\$ 2,140,955</u></u>
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See accompanying Notes to the Financial Statements.

Community Improvement Corporation
Gallia County

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in Net Assets	\$ (50,200)
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation and amortization	7,978
Increase (decrease) in accrued expenses	<u>1,010</u>
Net cash provided by (used in) operating activities	<u>(41,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment, land	(1,659,648)
Sale of investment, land	<u>825,000</u>
Net cash provided by (used in) investing activities	<u>(834,648)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of long-term debt	<u>340,000</u>
Net cash provided by (used in) financing activities	<u>340,000</u>
Net increase (decrease) in cash	(535,860)
CASH AT BEGINNING OF YEAR	<u>775,598</u>
CASH AT END OF YEAR	<u>\$ 239,738</u>

See accompanying Notes to the Financial Statements

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**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Improvement Corporation, Gallia County, Ohio (the Corporation), is a not-for-profit corporation and was incorporated on December 2, 1964, under the authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by an appointed Board of Trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development of Gallia County, Ohio.

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

B. Accounting Basis

The financial statements of the Corporation have been prepared on the accrual basis.

In 1994, the Corporation adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements for Non-For-Profit Organizations" (SFAS No. 117). The statements of the new standards have been applied to the years presented.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- **Temporary restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulation that they be maintained permanently or until all donor imposed restrictions are met by the organization. Generally, the donors of these assets permitted organizations to use all or part of the income earned on related investments for general or specific purposes.

As of December 31, 2015, all assets were unrestricted.

C. Tax Status

The Corporation has been recognized by the State of Ohio as a tax-exempt organization and by the Internal Revenue Service as a Section 501(C)(4) nonprofit organization. Accordingly, the federal tax status would reflect the Corporation's tax exempt status. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

D. Depreciation

The organization provides for depreciation in amounts adequate to amortize costs over the estimated useful lives of the assets. Certain assets are being depreciated under the straight line method for both financial book and tax purposes.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Depreciation (Continued)

The lives of the assets and depreciation expenses under this method are in accordance with generally accepted accounting principles. Depreciation charged to operations was \$7,978 the year ended December 31, 2015.

E. Use of Estimates

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

2. Property, Plant, Equipment and Land

Property and equipment and related accumulated depreciation at December 31, 2015 are as follows:

	2015
Land	\$ 2,387,508
Land Improvements	15,002
Leasehold Improvements	2,000
Furniture, Fixtures, & Equipment	56,851
Less: Accumulated Depreciation	(44,084)
	\$ 2,417,277

3. Industrial Park

This property consists of raw land and development costs expended to date on the Industrial Park and sewer project on State Route 850 in Gallia County, Ohio. Several businesses have moved into the Industrial Park as of December 31, 2015.

4. Cash

The Corporation maintains a checking account and market watch account. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of these amounts are uninsured. The carrying amount of cash at December 31 was as follows:

	2015
Demand deposits	\$ 239,638
Petty Cash	100
Total deposits	\$ 239,738

Concentration of Credit Risk: The Corporation's cash is placed with institutions with high credit ratings. This policy limits the Corporation's exposure to credit risk. However, at various times throughout the year, the Corporation carried amounts in excess of federally insured limits with a local bank.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

5. Notes Payable

Term debt consists of the following notes payable at December 31:

	<u>2015</u>
4.5% Variable-rate payable of New York Prime plus 1% in monthly installments of \$1,123.89 of interest only and one payment of \$341,244 of interest and principal on 09/17/2018. Interest payments vary with the number of days in the month and the interest rate. The collateral consists of commercial mortgage and assignment of leases and rents of even date	\$ 340,000

6. Advertising and Marketing

The Corporation's policy is to currently expense all advertising and marketing costs as the benefit is directly related to current periods with minimal future benefit.

7. Related-Party Transaction

Sale of 85 acres of property from the Kessinger Estate on September 17, 2015 in the amount of \$450,000 to Hidden Valley Leasing, LLC. Board member Robert Foster is a principal in Hidden Valley Leasing, LLC.

Sale of 7 acres of property from Kessinger Estate on September 17, 2015 in the amount of \$375,000 to Board Member Robert Foster.

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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

Community Improvement Corporation
Gallia County
16 State Street
P.O. Box 465
Gallipolis, Ohio 45631

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, Gallia County, Ohio (the Corporation), 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 December 18, 2017.

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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

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.

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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 2016-001 and 2016-002.

Entity's Response to Findings

The Corporation's response to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

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

December 18, 2017

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA 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

Noncompliance/Material Weakness

Ohio Rev. Code §§ 102, 2921.42 and 2921.43 generally prohibit an elected official to authorize, or employ the authority or influence of the official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest. The ethics law applies to all people who serve as officials and employees for public agencies in Ohio.

A review of the minutes of the December 3, 2015 Special Board meeting indicated the Board of Trustees met to discuss the purchase of lots at the Industrial Park by Hidden Valley Leasing LLC. At the pre-engagement meeting, the Board President disclosed the related party transaction and the fact that Board member Robert Foster was a principal in Hidden Valley Leasing, LLC. Minutes indicate that Mr. Foster had removed himself from the December 3, 2015 meeting prior to the discussion of the sale. The Board of Trustees approved the sale of 47.066 acres in the Industrial Park to Hidden Valley Leasing in the amount of \$125,000 during the December 10, 2015 meeting and disclosed that it was a related party transaction. Mr. Foster had removed himself from the meeting prior to the vote. Property records provided for audit indicate the carrying value of the property was \$14,451 per acre. However, minutes also indicate that there was extensive site work required prior to construction which the Corporation was unable to finance.

In addition, testing of property transactions during the audit period indicated the Corporation purchased property in the amount of \$1,659,649 from the Kessinger Estate on September 17, 2015. However, financial statements only indicated purchases of \$826,030. Additional transactions were noted on the same date selling property in the amount of \$450,000 to Hidden Valley Leasing, LLC and selling property in the amount of \$375,000 to Robert D. Foster. The minutes did not indicate any discussion or approval of these transactions.

Failure to disclose potential conflicts and obtain Trustee approval can result in less-than-arm's-length transactions or criminal transactions.

All potential conflicts of interest relating to Trustees or management should be disclosed to the Board to ensure Corporation activities do not result in conflicts of interest. Further, Trustees' should abstain from any motions involving a related party. This matter will be referred to the Ohio Ethics Commission for whatever action deemed necessary.

Officials' Response: While it may appear the sale of the real property as set forth in the minutes of the meeting of December 3, 2015 for a sale price of \$125,000 for 47.066 acres appears to be a sale for less than fair market value given the carrying value of the property at \$14,451.00 per acre, this property was what the board felt as residual property that would require considerable excavation and work to make it suitable for a building site. No special consideration was afforded to the Hidden Valley Leasing LLC due to Mr. Foster's association. In the future the Board will address such a situation with appropriate measures such as obtaining an appraisal to avoid the appearance of any impropriety.

With respect to the September 17, 2015 transaction between the Board and Mr. Foster and Hidden Valley Leasing LLC and the omission of discussion of the sale of this property by the Community Improvement Corporation in Board minutes it is apparent that this was an oversight by the Board. The sale of the property to Hidden Valley Leasing LLC and Mr. Foster was discussed at length during open meetings of the Board.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

Noncompliance/Material Weakness - Ohio Rev. Code §§ 102, 2921.42 and 2921.43 (Continued)

Officials' Response (Continued):

The Board voted in favor of the sale with Mr. Foster and Mr. Foster removed himself from the meetings. The minutes will be more carefully reviewed in the future to be sure all such matters are accurately and thoroughly addressed in the minutes. Statements from the board members can be obtained to confirm these matters were discussed, addressed, and voted upon at the board meetings prior to the sale to Hidden Valley Leasing LLC and Mr. Foster.

With respect to the foregoing matters, the Board and its members will cooperate fully in any investigation by State Auditors and/or the Ohio Ethics Commission. We are confident that no wrong doing occurred other than clerical errors in failing to include these issues in the minutes and in obtaining an appraisal prior to approval of the proposed sale in December 2015 to Hidden Valley Leasing LLC.

FINDING NUMBER 2016-002

Noncompliance/Material Weakness

Ohio Admin. Code §117-2-02(D) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors.

Ohio Admin. Code §117-2-02(E) states that each local public office should establish a capitalization threshold so that, at a minimum, eighty per cent of the local public office's non-infrastructure assets are identified, classified, and recorded on the local public office's financial records.

All local public offices should maintain or provide Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The Corporation maintained a Property Summary Report for the Industrial Park. Purchases and sales of land are tracked on the Summary which is updated by the IPA annually. Gallia County Auditor records indicated that lots 15 and 16 were transferred back to Bob Evans Farms on April 18, 2000. This transaction was not recorded on the Property Summary until 2016. This transfer resulted in a loss of \$312,934 which was recorded in 2016.

The Board should review the Property Summary annually to assure that all property transactions are properly recorded in the proper period.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2016-002
(Continued)**

Noncompliance/Material Weakness - Ohio Admin. Code §117-2-02(D) (Continued)

Officials' Response: We agree that the board should review the Property Summary annually to assure that all property transactions are recorded in the proper period. This oversight was discovered shortly after we had thought all of that portion of the Dan Evans Industrial Park had been sold to Hidden Valley Leasing, however we still had parcel numbers on the books for more property and upon further research discovered it had been transferred to Bob Evans in the year 2000. In the future we plan to form an internal auditing committee and/or work with an accounting firm in more depth to help us have a yearly review of all assets.

FINDING NUMBER 2016-003

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2015:

- The CIC approved the purchase of property in the amount of \$1,650,000. Settlement Sheets record this purchase in the amount of \$1,651,030 including closing costs and fees. Settlement occurred on September 17, 2015. However, the Cash Flow Statement only documents Purchases of Investments in the amount of \$826,030. This resulted in an understatement of Purchases of Investments in the amount of \$825,000.
- Per the Settlement Sheets, also on September 17, 2015, the CIC sold property in the amount of \$825,000. However, there is no indication on the Cash Flow Statement of the Sale of the Asset. This resulted in an understatement in Sales of Investments in the amount of \$825,000.
- The Cash Flow Statement also records a Loss on Disposal of a Fixed Asset in the amount of \$8,618 under Operating Activities. However, this should be included as part of the Purchase of Investments.
- The CIC approved a contract with the Chamber of Commerce for administrative services in the amount of \$28,500. \$13,426 of this contract was incorrectly posted to the financial statements as Project Expenses. This resulted Project Expenses being overstated and General and Administrative Expenses being understated by \$13,426.

In addition, we noted the Notes to the Financial Statements did not disclose Related Party transactions as follows:

- Sale of 85 acres of property from the Kessinger Estate on September 17, 2015 in the amount of \$450,000 to Hidden Valley Leasing, LLC. Board member Robert Foster is a principal in Hidden Valley Leasing, LLC.
- Sale of 7 acres of property from the Kessinger Estate on September 17, 2015 in the amount of \$375,000 to Board member Robert Foster.

**COMMUNITY IMPROVEMENT CORPORATION
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003 (Continued)

Material Weakness (Continued)

- Sale of 47 acres of property from the original Industrial Park on February 16, 2016 in the amount of \$125,000 to Hidden Valley Leasing, LLC.
- The purchase of a lot at 356 Second Avenue, Gallipolis, Ohio on May 5, 2016 in the amount of \$17,394 from the City of Gallipolis. CIC Board member Tony Gallagher serves as a City Councilman for the City of Gallipolis.

The audited financial statements and notes to the financial statements have been adjusted for these items.

The Board should review financial statements and related Notes to the Financial Statements to assure proper amounts are reported and appropriate disclosures are included.

Officials' Response: We acknowledge the errors noted in the financial statements that are required audit adjustments and reclassifications and are trying to work with an accounting firm to get these matters corrected as soon as possible. In addition we are also trying to work with an accounting firm to get the notes to the financial statements in relation to the Related Party transactions that took place. As mentioned in the response to finding number 2016-002, in the future we plan to form an internal auditing committee and/or work with an accounting firm in more depth to help us have a yearly review of all assets.



Dave Yost • Auditor of State

COMMUNITY IMPROVEMENT CORPORATION OF GALLIA COUNTY

GALLIA 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
DECEMBER 28, 2017**