



**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015



Dave Yost • Auditor of State

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Financial Position – December 31, 2016 and 2015	3
Statement of Activities for the Years Ended December 31, 2016 and 2015	4
Statement of Cash Flows for the Years Ended December 31, 2016 and 2015.....	5
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cardington Community Improvement Corporation
Morrow County
4196 County Road 28
Cardington, Ohio 43315

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cardington Community Improvement Corporation, Morrow County, Ohio (the Corporation), (a not-for-profit corporation), which comprise the statement of financial position as of and for the years ended December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cardington Community Improvement Corporation, Morrow County, Ohio as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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 January 16, 2018, 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. While we did not opine on the internal control over financial reporting or on compliance, 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

January 16, 2018

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

Assets:	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 162,281	\$ 470,056
Loans Receivable	150,470	52,786
	<u>312,751</u>	<u>522,842</u>
 Property & Equipment		
Land	23,000	33,255
Buildings	613,505	364,970
Less: Accumulated Depreciation	<u>(114,168)</u>	<u>(139,861)</u>
Net Property and Equipment	<u>522,337</u>	<u>258,364</u>
 Total Assets	<u><u>\$ 835,088</u></u>	<u><u>\$ 781,206</u></u>
 Net Assets:		
Unrestricted Net Assets	<u>835,088</u>	<u>781,206</u>
 Total Liabilities and Net Assets	<u><u>\$ 835,088</u></u>	<u><u>\$ 781,206</u></u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

Operating Revenue:	<u>2016</u>	<u>2015</u>
Rental Income	\$ 54,636	\$ 39,600
Other Revenue	75	100
	<hr/>	<hr/>
Total Operating Revenue	54,711	39,700
	<hr/>	<hr/>
Operating Expenses:		
General	\$ 20,737	\$ 19,347
Contracted Services	6,574	1,360
Depreciation	11,552	9,193
	<hr/>	<hr/>
Total Operating Expenses	38,863	29,900
	<hr/>	<hr/>
Net Operating Income/Loss	15,848	9,800
	<hr/>	<hr/>
Non Operating Revenues and Expenses		
Loan Interest	\$ 1,693	\$ 315
Gain on Sale of Assets	35,550	-
Earnings on Investments	791	1,439
Other Expenses	-	(528)
	<hr/>	<hr/>
Net Non Operating Revenues and Expenses	38,034	1,226
	<hr/>	<hr/>
Change in Net Assets	53,882	11,026
	<hr/>	<hr/>
Net Assets, Beginning of Year	781,206	770,180
	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 835,088</u>	<u>\$ 781,206</u>

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

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rentals	\$54,636	\$39,600
Cash Received from Loan Principal	3,316	3,211
Cash Received from Other Sources	75	100
Cash Payments for New Loans Issued*	(30,000)	0
Cash Payments for Goods and Services	<u>(27,311)</u>	<u>(20,706)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>716</u>	<u>22,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	<u>791</u>	<u>1,439</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from Loan Interest Payments	<u>1,693</u>	<u>315</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Assets	<u>(310,975)</u>	<u>-</u>
NET INCREASE IN CASH	(307,775)	23,959
CASH, BEGINNING OF YEAR	<u>470,056</u>	<u>446,097</u>
CASH, END OF YEAR	<u>\$ 162,281</u>	<u>470,056</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income/(Loss)	\$ 15,848	\$ 9,800
Adjustments to Reconcile Operating Income/Loss to Net Cash Provided by Operating Activities:		
Depreciation	11,552	9,193
(Increase) Decrease in Loans Receivable*	<u>(26,684)</u>	<u>3,212</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 716</u>	<u>\$ 22,205</u>

*Non-Cash Transaction: The Corporation sold a property in 2016 and issued a loan in the amount of the buyer as payment for the property.

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

THIS PAGE INTENTIONALLY LEFT BLANK

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. Nature of Activities and Summary of Significant Accounting Policies

A. Description of the Entity

The Cardington Community Improvement Corporation (the Corporation) was incorporated in 1964. The Corporation is a nonprofit entity which was formed for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the Village of Cardington, Ohio and the surrounding area. The Board of Trustees is made up of local business owners, Village Council Members, a School Board Member, and a banker.

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 of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the *Financial Accounting Standards Board ASC 958, Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2016 and December 31, 2015, net assets are unrestricted.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows and for presentation of the Statement of Financial Position, all cash in checking accounts are considered to be cash and cash equivalents.

E. Use of Estimates

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

F. Property and Depreciation

Acquisitions of property in excess of \$500 are capitalized. Land, buildings, and improvements are carried at cost. Depreciation is computed using the straight-line method over a useful life of 50 years for buildings and 27.5 to 30 years for improvements.

G. Income Taxes

The Corporation is a not-for-profit organization that is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3) and Chapters 1702 and 1724 of the Ohio Revised Code.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

2. Deposits

The Corporation's carrying amount of deposits at December 31 was as follows:

	2016	2015
Demand deposits	\$162,281	\$470,056

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Property and Equipment

A summary of Property and Equipment at December 31, 2016 and 2015 follows:

	Balance at 12/31/15	2016 Additions	2016 Deletions	Balance at 12/31/16
Land	\$33,255	\$0	(\$10,255)	\$23,000
Buildings and Improvements	364,970	310,975	(62,440)	613,505
Less: Accumulated Depreciation	(139,861)	(11,552)	37,245	(114,168)
Net Property and Equipment	\$258,364	\$299,423	(\$35,450)	\$522,337

	Balance at 12/31/14	2015 Additions	2015 Deletions	Balance at 12/31/15
Land	\$33,255	\$0	\$0	\$33,255
Buildings and Improvements	364,970	0	0	364,970
Less: Accumulated Depreciation	(130,668)	(9,193)	0	(139,861)
Net Property and Equipment	\$267,557	(\$9,193)	\$0	\$258,364

4. Fair Value of Loans Receivable

The Corporation believes that the fair value of its loans receivable approximates their carrying value.

5. Risk Management

Commercial Insurance

The Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

6. Delinquent Loan Receivable

The Corporation was a plaintiff in one lawsuit that was settled in 2013. The Corporation loaned \$50,000 to a local business in 2009, but the business stopped making payments on this loan in April 2010 leaving a remaining loan balance of \$48,376.53. The Corporation has a lien on the business owners' home in order to recover the remaining loan balance.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Continued)**

7. Related Party Transaction

In August 2016, the Corporation provided a \$30,000 loan to Maceyko Enterprises, Inc., which is a local business owned by a Board member's sister. The loan carries an interest rate of 4% and will be repaid with monthly installments over 5 years.

THIS PAGE INTENTIONALLY LEFT BLANK



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*

Cardington Community Improvement Corporation
Morrow County
4196 County Road 28
Cardington, Ohio 43315

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 Cardington Community Improvement Corporation, Morrow 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 January 16, 2018

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 and 2016-002 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. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporation's Response to Findings

The Corporation's responses 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

January 16, 2018

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Treasurer 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 adjustments were made to the 2016 financial statements:

- Adjustment to record Loans Receivable for a \$71,000 loan issued in 2016. Adjustment was also made to record the \$619 payment made on this loan as reduction in Other Revenue and reduction of Loans Receivable.
- Adjustments to remove an asset sold in 2016 with a net book value of \$35,450, and to record the related Gain on Sale of Assets in the amount of \$35,550.
- Adjustment to reduce Other Revenue by \$2,697, reduce Contracted Services expense by \$1,967, and reduce depreciation expense by \$730 in order to correct errors made during the GAAP conversion.

Additionally, multiple adjustments were made to correct errors on the Statement of Cash Flows.

By not ensuring proper financial statement presentation, the Corporation cannot report accurate financial activity to its constituents. The Corporation has recorded these adjustments to the financial statements.

We recommend the Corporation implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response:

Upon review of your findings now that we are aware we will take action to correct the findings going forward.

**CARDINGTON COMMUNITY IMPROVEMENT CORPORATION
MORROW 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)
--

FINDING NUMBER 2016-002

Material Weakness – Property and Equipment Records

The Treasurer and Board of Trustees are responsible for tracking property and equipment purchased and utilized by the Corporation and for accurate financial reporting of these assets. Property and equipment records should include details such as date purchased, cost, useful life, depreciation, and net book value for each asset.

The Corporation failed to accurately keep and update a detailed property and equipment listing. This resulted in adjustments to property and equipment amounts reported in the 2016 financial statements (see Finding 2016-001 for details).

Additionally, the lack of maintaining detailed asset records could result in the loss or misappropriation of the Corporation's assets, which can increase the risk of fraud.

We recommend the Corporation implement internal control procedures to accurately track property and equipment purchases and sales. The Corporation should maintain a detailed property and equipment listing which includes purchase date, cost, useful life, depreciation, and net book value for each asset. This will not only ensure assets reported in the financial statements are accurate, but will ensure adequate insurance coverage is obtained for property owned by the Corporation.

Officials' Response:

Upon review of your findings now that we are aware we will take action to correct the findings going forward.



Dave Yost • Auditor of State

CARDINGTON COMMUNITY IMPROVEMENT CORPORATION

MORROW 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
FEBRUARY 13, 2018**