



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Trustees
Lancaster Area Community Improvement Corporation
109 North Broad Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditor's Report* of the Lancaster Area Community Improvement Corporation, Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lancaster Area Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 20, 2013

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**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION
FAIRFIELD COUNTY**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Lancaster Area Community Improvement Corporation
109 North Broad Street
Lancaster, Ohio 43130

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Lancaster Area Community Improvement Corporation, Fairfield County, Ohio (the Corporation), as of December 31, 2012 and 2011 and the related statements of financial activities, cash flows, and 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 audits. 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 the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lancaster Area Community Improvement Corporation, Fairfield County, Ohio as of December 31, 2012 and 2011, and the changes in net assets and cash flows, thereof for the years then ended in conformity 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 April 25, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

April 25, 2013

Lancaster Area Community Improvement Corporation

*Statements of Financial Position
As of December 31, 2012 and 2011*

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|---------------------|---------------------|
| Assets: | | |
| Cash and Cash Equivalents | \$ 258,034 | \$ 277,517 |
| Accounts Receivable | 50 | 2,350 |
| Prepaid Insurance | 1,197 | 1,197 |
| Land for Investment/Sale | <u>1,605,618</u> | <u>1,605,618</u> |
| Total Assets: | <u>\$ 1,864,899</u> | <u>\$ 1,886,682</u> |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Accrued Real Estate Tax | <u>\$ 7,973</u> | <u>\$ 7,345</u> |
| Total Liabilities: | <u>7,973</u> | <u>7,345</u> |
| Net Assets: | | |
| Unrestricted | <u>1,856,926</u> | <u>1,879,337</u> |
| Total Liabilities and Net Assets: | <u>\$ 1,864,899</u> | <u>\$ 1,886,682</u> |

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation
Statements of Financial Activities
For the Years Ended December 31, 2012 and 2011

| | 2012 | 2011 |
|-------------------------------------|--------------|--------------|
| Unrestricted Net Assets: | | |
| Revenues: | | |
| Dues | \$ 50 | \$ 3,600 |
| Land Rentals | 3,200 | 3,200 |
| In-kind Rent | 1,500 | 1,500 |
| Interest Income | 2,120 | 1,250 |
| Total Revenues: | 6,870 | 9,550 |
| Expenses: | | |
| Administrative Fee | 3,000 | 3,000 |
| Insurance | 3,654 | 3,653 |
| Accounting Services | 377 | 2,640 |
| Legal Services | 3,150 | 450 |
| Other Professional Services | 9,627 | 6,793 |
| Real Estate Taxes | 7,973 | 7,346 |
| In-kind Rent | 1,500 | 1,500 |
| Total Expenses: | 29,281 | 25,382 |
| Decrease in Unrestricted Net Assets | (22,411) | (15,832) |
| Net Assets, Beginning of Year | 1,879,337 | 1,895,169 |
| Net Assets, End of Year | \$ 1,856,926 | \$ 1,879,337 |

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation

Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Decrease in Net Assets | \$ (22,411) | \$ (15,832) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Decrease (Increase) in Operating Assets: | | |
| Accounts Receivable | <u>2,300</u> | <u>(1,250)</u> |
| Increase in Operating Liabilities: | | |
| Accrued Real Estate Tax | <u>628</u> | <u>24</u> |
| Net Cash Used by Operating Activities: | <u>(19,483)</u> | <u>(17,058)</u> |
| Net Change in Cash and Cash Equivalents: | (19,483) | (17,058) |
| Cash and Cash Equivalents at Beginning of Year | <u>277,517</u> | <u>294,575</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 258,034</u> | <u>\$ 277,517</u> |

See accompanying notes to the financial statements.

Lancaster Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2012 and 2011

NOTE 1-REPORTING ENTITY

Organization

The Lancaster Area Community Improvement Corporation (the Corporation) is an Ohio nonprofit corporation established for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Lancaster and the surrounding community and county.

NOTE 2-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 and accordingly reflect all significant receivables and payables.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its statement of Financial Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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

Income from membership dues, fees, and land sales is recognized over the period to which the dues, fees, and land sales relate.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with initial maturities of three months or less.

Equipment

Equipment is stated at cost and is depreciated over the estimated useful lives by the straight-line method for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. When equipment is sold, or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Donated Property

Donations of property are recorded as contributions at their estimated fair value at the date of the donation.

Federal Income Taxes

The Corporation was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

Lancaster Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2012 and 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land

Original land available for sale is stated at its appraised value, which approximates market value at the time of donation. Subsequent land purchases and costs to prepare the land for sale are stated at cost. As land is sold, an allocation of cost for those acres sold is charged to operations.

Estimates

Management uses estimates and assumptions in preparing the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

NOTE 3-CASH AND CASH EQUIVALENTS

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

| | | |
|-----------------|------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Demand Deposits | <u>\$258,034</u> | <u>\$277,517</u> |

At the end of the year, the carrying amount of the Corporation's deposits was insured by the Federal Depository Insurance Corporation.

NOTE 4-LAND

The Corporation owns the land known as the Rockmill Corporate Park. The Rockmill Corporate Park consisted of approximately 204.26 acres of land at December 31, 2012. The Corporation promotes the sale of this land in Fairfield County to prospective industrial clients.

In 2002, an agreement was entered into between the Corporation and the City of Lancaster where the City agreed to construct various infrastructure improvements on the Phase II portion of the Corporation's Rockmill Corporate Park. Ownership of these improvements is retained by the City and, upon sale of such parcels, the Corporation has agreed to remit \$37,800 per acre for the first eighteen acres sold and \$31,500 per acre for the remaining acreage. The total reimbursement to the City will be \$5,625,900. For the years ended December 31, 2012 and 2011, the Corporation had no land sales involved with this agreement.

NOTE 5-FURNITURE AND EQUIPMENT

Property and equipment consists of:

| | | |
|--------------------------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| Cost | \$3,021 | \$3,021 |
| Less: Accumulated Depreciation | (3,021) | (3,021) |
| Net Furniture and Equipment | <u>\$0</u> | <u>\$0</u> |

NOTE 6-LEASES

Annual leases have been negotiated for tenants to occupy and use, for agricultural purposes, the remaining tillable acres of land owned by the Corporation. Credit was allowed for land rendered untiltable by construction work or a direct reimbursement may be made to the lessee for crops destroyed. Leases were renewed on a yearly basis at the discretion of the Board of Trustees. For 2012 and 2011, the lease was negotiated for \$3,200.

Lancaster Area Community Improvement Corporation

Notes to the Financial Statements

For the Years Ended December 31, 2012 and 2011

NOTE 7-ADMINISTRATIVE FEE

A management fee is paid to the Lancaster Area Chamber of Commerce. The Corporation uses the Chamber's facilities and personnel. The fees for the years ended December 31, 2012 and 2011 were \$3,000.

NOTE 8-IN-KIND RENT

The Lancaster Area Chamber of Commerce furnishes approximately 200 square feet of office space at no charge for use of the Corporation. In-kind revenues and expenses are computed using the market rental value of \$7.50 per square foot, which for the years ended December 31, 2012 and 2011 were \$1,500.

NOTE 9 – INSURANCE

The Lancaster Area 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.

NOTE 10 – SUBSEQUENT EVENT

The Lancaster Area Community Improvement Corporation sold a portion of land in the Rockmill Corporate Park for \$176,000 to Phoenix EDT Holdings, LLC on March 13, 2013.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Lancaster Area Community Improvement Corporation
Fairfield County
109 North Broad Street
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lancaster Area Community Improvement Corporation, Fairfield County, (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 April 25, 2013.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, providing an opinion 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*.

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
April 25, 2013



Dave Yost • Auditor of State

LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION

FAIRFIELD 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 4, 2013