

**LANCASTER AREA  
COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY  
Regular Audit  
For the Year Ended December 31, 2013**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Lancaster Area Community Improvement Corporation  
109 North Broad Street, Suite 100  
Lancaster, OH 43130

We have reviewed the *Independent Auditor's Report* of the Lancaster Area Community Improvement Corporation, Fairfield County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 30, 2014

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**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

August 31, 2014

Lancaster Area Community Improvement Corporation  
Fairfield County  
109 North Broad Street, Suite 100  
Lancaster, OH 43130

To the Board of Trustees:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the **Lancaster Area Community Improvement Corporation** (a nonprofit organization), Fairfield County, Ohio (the Corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year 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 the 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 respective financial position of the Lancaster Area Community Improvement Corporation, Fairfield County as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

The financial statements of the Lancaster Area Community Improvement Corporation as of and for the year ended December 31, 2012, were audited by other auditors whose report dated April 25, 2013, expressed an unmodified opinion on those statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2014, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 233,529	\$ 258,034
Accounts Receivable	300	50
Perpaid Insurance	1,197	1,197
Land for Investment/Sale	1,605,618	1,605,618
 TOTAL ASSETS	 \$ 1,840,644	 \$ 1,864,899
<b>LIABILITIES</b>		
Accrued Real Estate Tax	\$ 12,207	\$ 7,973
 TOTAL LIABILITIES	 12,207	 7,973
<b>NET ASSETS</b>		
Unrestricted	1,828,437	1,856,926
 TOTAL NET ASSETS	 1,828,437	 1,856,926
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,840,644	 \$ 1,864,899

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



**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
REVENUES		
Dues	\$ 1,850	\$ 50
Land Rentals	3,200	3,200
In-kind Rent	1,500	1,500
Property Tax Refund	504	-
Interest Income	796	2,120
TOTAL REVENUES	<u>7,850</u>	<u>6,870</u>
EXPENSES		
Administrative Fees	5,351	3,000
Insurance	3,712	3,654
Auditing Services	5,840	377
Legal Services	450	3,150
Other Professional Services	7,279	9,627
Real Estate Taxes	12,207	7,973
In-kind Rent	1,500	1,500
TOTAL EXPENSES	<u>36,339</u>	<u>29,281</u>
CHANGE IN NET ASSETS	(28,489)	(22,411)
NET ASSETS, BEGINNING OF YEAR	<u>1,856,926</u>	<u>1,879,337</u>
NET ASSETS, END OF YEAR	<u>\$ 1,828,437</u>	<u>\$ 1,856,926</u>

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

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in Net Assets	\$ (28,489)	\$ (22,411)
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities:		
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(250)	2,300
Increase in Operating Liabilities:		
Accrued Real Estate Tax	4,234	628
Net Cash Used by Operating Activities	(24,505)	(19,483)
Net Change in Cash and Cash Equivalents	(24,505)	(19,483)
Cash and Cash Equivalents, Beginning of Year	258,034	277,517
Cash and Cash Equivalents, End of Year	\$ 233,529	\$ 258,034

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

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Lancaster Area Community Improvement Corporation (the Corporation), is an Ohio non-profit corporation was created in 1981 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.

Management believes the financial statements included in this report represent all of the activities over which the Corporation is financially accountable.

**B. BASIS OF ACCOUNTING**

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**C. BASIS OF PRESENTATION**

The Corporation has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) No. 958-210, *Presentation of Financial Statements*. Under ASC 958-210,. The Corporation 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.

**D. REVENUE RECOGNITION**

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

**E. CASH AND CASH EQUIVALENTS**

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

**F. EQUIPMENT**

Equipment is state 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.

**G. DONATED PROPERTY**

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

**H. FEDERAL INCOME TAX**

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 YEAR ENDED DECEMBER 31, 2013 AND 2012**  
**(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. FEDERAL INCOME TAX (Continued)**

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken The Corporation that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Corporation's Federal Return of Organization Exempt from Income Tax (Form 990) for 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

**I. 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.

**J. ESTIMATES**

Management uses estimates and assumptions in preparing 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 revenue and expenses. Actual results could differ from those estimates.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2013 and 2012 cash and cash equivalents consisted of the following:

	2013	2012
Demand Deposits	\$133,529	\$158,034
Certificates of Deposit	100,000	100,000
Total Deposits	233,529	258,034

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

**3. 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, 2013. 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.

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012**  
**(CONTINUED)**

**3. LAND (Continued)**

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 \$5,635,900. For the years ended December 31, 2013 and 2012, the Corporation had no land sales involved with this agreement.

**4. FURNITURE AND EQUIPMENT**

Furniture and equipment consists of:

	2013	2012
Cost	\$ 3,021	\$ 3,021
Less: Accumulated Depreciation	(3,021)	(3,021)
Net Furniture and Equipment	\$ -	\$ -

**5. 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 untillable 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 2013 and 2012, the lease was negotiated for \$3,200.

**6. 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, 2013 and 2012. Were \$5,351 and \$3,000, respectively.

**7. 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, 2013 and 2012 were \$1,500.

**8. INSURANCE**

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

**9. SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through August 31, 2014, the date which the financial statements were available to be issued. No events occurred subsequent to August 31, 2014 that would require adjustment or disclosure in the financial statements.

# *Perry & Associates*

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

August 31, 2014

Lancaster Area Community Improvement Corporation  
Fairfield County  
109 North Broad Street, Suite 100  
Lancaster, Ohio 43130

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 **Lancaster Area Community Improvement Corporation** (a nonprofit organization), Fairfield County (the Corporation) as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which comprise the statement of financial position and have issued our report thereon dated August 31, 2014.

### ***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 audit 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 Township'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 2013-002 described in the accompanying schedule of audit 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 audit findings as item 2013-001.

***Entity's Response to Findings***

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of audit 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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**LANCASTER AREA COMMUNITY IMPROVEMENT CORPORATION  
FAIRFIELD COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance**

**ORC Section 1724.05** states, in part, community improvement corporations must file annual reports with the Auditor of State within 120 days of the fiscal year end. Also, the public office must publish notice on the corporation's web site or web site of the county in which the corporation is located. stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Corporation did not file the 2013 annual financial reports with the Auditor of State. In addition, no evidence was presented to indicate the Corporation published a notice on the corporation's web site or web site of the county in which the corporation is located. stating the financial report is available for public inspection.

We recommend the Annual Financial Report be prepared and filed within 120 days of the fiscal year end. In addition, the Corporation should publish notice on the corporation's web site or web site of the county in which the corporation is located. that the financial report is available for public inspection.

**Officials' Response** – The Lancaster Area CIC will develop the appropriate policies to ensure that that annual financial reports are filed with the Auditor of State within 120 days of the fiscal year end and that the notice of the available statements is available on the corporation's web site or web site of the county in which the corporation is located.

**FINDING NUMBER 2013-002**

**Material Weakness**

**Accounts Payable Adjustment**

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We determined that one year-end closing entry was not recorded by the Corporation at year end. All transactions should be recorded; including making sure expenses are recorded correctly in each year.

It was noted the Corporation did not ensure the year-end entry for accounts payable was posted to the accounting system. Real estate taxes were incurred in 2013, however this expenditure was not recognized on the financial statements as a real estate tax expense and a corresponding Accounts Payable liability in 2013.

We recommend all entries be prepared and approved by management prior to year end closing and preparation of the financial statements.

**Officials' Response** – The Lancaster Area CIC will take the appropriate actions to ensure that the year-end entry for accounts payable is posted to the accounting system going forward.





# 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  
OCTOBER 14, 2014**