

Hillsboro Community Improvement Corporation
Highland County, Ohio

Basic Financial Statements
For the Fiscal Year Ended December 31, 2021



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
(A Component Unit of the City of Hillsboro)
Highland County, Ohio

BASIC FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2021

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HILLSBORO COMMUNITY IMPROVEMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

The discussion and analysis of the Hillsboro Community Improvement Corporation's (the "CIC") financial performance provides an overall review of the CIC's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the CIC's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the CIC's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- In total, net position was \$35,878 as of December 31, 2021. This is the first year of operation of the CIC.
- During 2021, the CIC had no operating revenues and operating expenses of \$2,120 resulting in a \$2,120 operating loss. The CIC had nonoperating revenues over nonoperating expenses of \$37,998. The total change in net position for the year was an increase of \$35,878.

Using These Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the CIC's financial activities. The *Statement of Net Position* and *Statement of Revenues, Expenses and Changes in Net Position* provide information about the activities of the CIC, including all short-term and long-term financial resources and obligations.

Reporting the CIC's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the CIC's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the CIC as a whole, the *financial position* of the CIC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 5 and 6 of this report.

The statement of cash flows provides information about how the CIC finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 7 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9 through 12 of this report.

**HILLSBORO COMMUNITY IMPROVEMENT
CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The table below provides a summary of the CIC's net position at December 31, 2021. Since the CIC was established in fiscal year 2021, there is no comparison statement provided for fiscal year 2020. In future years comparative statements will be provided.

		<u>2021</u>
<u>Assets</u>		
Current assets		\$ <u>35,878</u>
Total assets	-	<u>35,878</u>
<u>Liabilities</u>		
Current liabilities	-	<u>0</u>
Total liabilities		<u>0</u>
<u>Net Position</u>		
Unrestricted		<u>0</u>
Total net position		<u>\$ 35,878</u>

CIC's unrestricted net position of \$35,878 may be used to meet the CIC's ongoing obligations.

**HILLSBORO COMMUNITY IMPROVEMENT
CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

The table below shows the changes in net position for 2021. Since the CIC was established in fiscal year 2021, there is no comparison statement provided for fiscal year 2020. In future years comparative statements will be provided.

Change in Net Position

	2021
<u>OPERATING REVENUES</u>	
Other	\$ 0
Total operating revenues	0
<u>OPERATING EXPENSES</u>	
Legal services	1,806
Property taxes and other expenses on donated property	314
Total operating expenses	2,120
Operating loss	(2,120)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Contributions from City of Hillsboro	6,806
Donations from Others	192
Donated property from City of Hillsboro	60,200
Loss on sale of donated property	(29,200)
Total nonoperating revenues (expenses)	37,998
Change in net position	35,878
Net position at beginning of year	0
Net position at end of year	\$ 35,878

The CIC relies primarily on the sale of property that is donated from the City of Hillsboro; however, they also received some cash contributions from the City of Hillsboro to assist with start-up costs.

During 2021, the CIC received donated property as noted above from the City of Hillsboro and then sold that property to provide funds for operations and future development.

Capital Assets

At December 31, 2021, the CIC had no capital assets.

Debt Obligations

At December 31, 2021, the CIC did not have any long-term debt obligations outstanding.

**HILLSBORO COMMUNITY IMPROVEMENT
CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Current Financial Related Activities

The CIC is reliant upon donations of property and the sale of such property as their primary source of income to support operations. The City contributed cash funding to the CIC during 2021 in the amount of \$5,000 and transferred three parcels of property to the CIC with a fair value of \$60,200 during 2021.

The CIC is the City of Hillsboro's agent for industrial and commercial distributions and research development. The purpose of the CIC is to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Hillsboro.

Contacting the CIC's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the CIC's finances and to show the CIC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Brianne Abbott, Statutory Agent, Hillsboro Community Improvement Corporation, 130 North High Street, Hillsboro, Ohio, 45133.

**HILLSBORO COMMUNITY IMPROVEMENT
CORPORATION
(A Component Unit of the City of Hillsboro)**

STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current assets:

Cash	\$ 35,878
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Total current assets	<u>35,878</u>
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Total assets	<u>35,878</u>
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LIABILITIES

Current liabilities:

Accounts payable and other liabilities	<u>-</u>
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Total current liabilities	<u>-</u>
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NET POSITION

Unrestricted	<u>35,878</u>
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Total net position	<u><u>\$ 35,878</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NO ASSURANCE IS PROVIDED ON THESE FINANCIAL STATEMENTS

HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
(A Component Unit of the City of Hillsboro)

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES

Other	\$ 0
Total operating revenues	<u>0</u>

OPERATING EXPENSES

Legal services	1,806
Property taxes and other expenses on donated property	<u>314</u>
Total operating expenses	<u>2,120</u>
Operating loss	<u>(2,120)</u>

NONOPERATING REVENUES (EXPENSES)

Contributions from City of Hillsboro	6,806
Donations from Others	192
Donated property from City of Hillsboro	60,200
Loss on sale of donated property	<u>(29,200)</u>
Total nonoperating revenues (expenses)	<u>37,998</u>
Change in net position	35,878
Net position at beginning of year	<u>0</u>
Net position at end of year	<u>\$ 35,878</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash payments for legal services	\$ (1,806)
Cash payments for other operations	(314)
	<hr/>
Net cash used for operating activities	(2,120)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from contributions from City of Hillsboro	6,806
Cash received from other contributions	192
Cash received from sale of donated property	31,000
	<hr/>
Net cash provided by noncapital financing activities	37,998
Net increase in cash	35,878
Cash at beginning of year	0
	<hr/>
Cash at end of year	\$ 35,878

**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (2,120)
Adjustments:	0
Changes in assets and liabilities:	0
	<hr/>
Net cash used for operating activities	\$ (2,120)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NO ASSURANCE IS [PROVIDED ON THESE FINANCIAL STATEMENTS

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HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
(A Component Unit of the City of Hillsboro)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The Hillsboro Community Improvement Corporation (the “CIC”) was formed pursuant to Ordinance 2021-01 passed February 2, 2021 and incorporated as a not-for-profit corporation under Chapters 1724 of the Ohio Revised Code for the purpose to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Hillsboro (the “City”). The CIC has been designated as the City’s agent for industrial and commercial distributions and research development.

The Board of Directors (the “Board”) is to be comprised of six members. All six of the Board members are elected or appointed officials of the City of Hillsboro. All Board members are appointed by the Mayor of the City of Hillsboro with approval of Hillsboro City Council.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, “The Financial Reporting Entity,” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus,” the City’s primary government and basic financial statements include component units which are defined as legally separate organizations for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the organization’s board and either 1) the City’s ability to impose its will over the organization, or 2) the possibility that the organization will provide a financial benefit or impose a financial burden to the City. The CIC is a legally separate entity and effective for fiscal year 2021, the CIC will be reported by the City as a discretely presented component unit in the City’s basic financial statements. The CIC does not have any component units and does not include any other organizations in its presentation. The CIC’s management believes these basic financial statements present all activities for which the CIC is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the CIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The CIC’s significant accounting policies are described below.

A. Basis of Accounting

The basic financial statements of the CIC are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The CIC’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

The CIC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the CIC’s principal ongoing operation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Federal Income Tax

The CIC is exempt from federal income tax under Section 501 (c) (4) of the Internal Revenue Code.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, all cash in the CIC’s checking account are considered to be cash and cash equivalents. All monies received by the CIC are deposited in a demand deposit account.

HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
(A Component Unit of the City of Hillsboro)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Accrued Liabilities

The CIC recognizes expenses due, but unpaid as of December 31, 2021. The CIC did not have any accrued liabilities as of December 31, 2021.

F. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. At December 31, 2021, the CIC did not have any non-cash assets or debt.

Net position is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The CIC has no restricted net position.

The CIC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS

At December 31, 2021, the carrying amount of the CIC deposits was \$35,878 and the bank balance was \$35,878. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the CIC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The CIC has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the CIC and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. The OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the CIC's bank balance was entirely covered by FDIC.

HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
(A Component Unit of the City of Hillsboro)

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2021, the CIC has applied GASB Statement No. 95, “Postponement of the Effective Dates of Certain Authoritative Guidance” to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by eighteen months and the CIC has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

NOTE 5 - DEVELOPMENT AGREEMENT

The CIC has entered into an Agreement with the City, which, among other things, the City may convey lands and interests in lands owned by the City and determined by City Council from time-to-time not to be required by the City for its purposes to the CIC and the CIC may acquire land and interests in land from others and conveyance of such land or interests in land will promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, assist in the development of industrial, commercial, distribution, and research activities to the benefit of the people of the City, or provide additional opportunities for their gainful employment.

NOTE 6 - RELATED PARTY TRANSACTIONS

During 2021, the CIC received \$60,200 in contributions of property from the City of Hillsboro. This amount has been reported as nonoperating revenue in the CIC’s financial statements.

During 2021, the CIC received cash contributions in the amount of \$6,806 from the City of Hillsboro. This amount has been recorded as nonoperating revenue in the CIC’s financial statements.

HILLSBORO COMMUNITY IMPROVEMENT CORPORATION
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - INVENTORY HELD FOR FUTURE DISTRIBUTION

The City of Hillsboro has contributed land parcels with a fair value of \$60,200. The property acquired was not used by the CIC in its operations but was subsequently sold during fiscal year 2021 to provide funds for future development. As of December 31, 2021, the CIC did not hold any inventory for future distribution. The following is a schedule of activity related to land held for future distribution:

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2021</u>
City of Hillsboro	<u>\$-0-</u>	<u>\$60,200</u>	<u>\$60,200</u>	<u>\$-0-</u>

NOTE 8 - LITIGATION

The CIC is involved in no material litigation as either plaintiff or defendant.

NOTE 9 - RISK MANAGEMENT

The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For 2021, the CIC was covered under the City's property and casualty insurance policy. There have been no settled claims since the inception of the CIC.

NOTE 10 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the CIC. The impact on the CIC's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.