



H.B. 606

124th General Assembly
(As Introduced)

**Reps. Fessler, Faber, Hoops, Setzer, Hollister, Seitz, Hagan, Lendrum,
Seaver, Barrett, Britton**

BILL SUMMARY

- Exempts community improvement corporations and development corporations with annual revenues or expenditures of less than \$300,000 from mandatory audits conducted by or for the Auditor of State.

CONTENT AND OPERATION

Background

Special corporate forms

Current law permits the creation of special corporate forms in Ohio. Two such corporations are community improvement corporations and development corporations.

Community improvement corporations (CICs) are nonprofit corporations formed for the sole purpose of advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of a community or area. Counties, townships, and municipal corporations may designate a CIC to be their agent for industrial, commercial, distribution, and research development by resolution or ordinance and then enter into an agreement with the CIC that (1) requires the CIC to prepare a plan for that development which sets forth the CIC's role as agent, (2) authorizes the CIC to sell or lease the political subdivision's unneeded real property to "promote the welfare of the people of the political subdivision, stabilize the economy, provide employment, and assist in the development of industrial, commercial, distribution, and research activities to the benefit of the people of the political subdivision," or (3) for those same purposes, has the political subdivision convey unneeded real property to the CIC upon agreed terms and without advertising or the receipt of bids. In addition, the state or any political subdivision (including any state university or housing commission) may designate a CIC to be its agent to acquire, construct, reconstruct, enlarge,

improve, furnish, or equip, and to sell, lease, exchange, or otherwise dispose of, property and facilities for industry, commerce, distribution, and research. (Secs. 165.20, 1724.01, and 1724.10--not in the bill.)

Ohio development corporations are corporations that are formed for any corporate purpose, but they minimally must be formed to promote, aid, and develop and advance the industrial and business prosperity of Ohio or any section of the state, to encourage industry, to stimulate and help expand business ventures that tend to promote growth in Ohio or a section of the state, and, by working with the United States Small Business Administration and small business investment companies, to promote agricultural, industrial, and business developments in Ohio. Also, a development corporation must provide loans for carrying on and developing business or industrial undertakings. Financial institutions may be members of a development corporation and may make loans to the corporation. (Secs. 1726.01, 1726.02, 1726.05, and 1726.06--not in the bill.)

The Department of Development acts as a facilitator of contracts between CICs or development corporations and industrial or commercial concerns seeking to locate or expand in Ohio. In addition, the Department may lend funds to CICs and development corporations to (1) procure or improve real or personal property, (2) establish, locate, or expand industrial, distribution, commercial, or research facilities in Ohio, and (3) provide funds for loans (that meet certain conditions) to other entities to establish, locate, or expand industrial, distribution, commercial, or research facilities in Ohio. CICs also may participate in grant and loan programs administered by the Department of Development. (Secs. 122.04(C), 122.19, 122.20, 122.23, 122.24, and 122.43--not in the bill.)

Audit requirements

Current law requires both of these corporate forms to file certified annual financial reports with the Auditor of State that conform to the Auditor of State's rules and that are prepared in accordance with generally accepted accounting principles (GAAP). In addition, these corporations must submit to audits done by or for the Auditor of State's office in the same manner as if they were a public office (typically, every two years). The Auditor of State must review these annual financial reports and the reports of these audits to determine if a corporation is complying with the standards provided in the law governing its corporate form. (Secs. 1724.05 and 1726.11.)

Changes proposed by the bill

The bill changes the audit requirements for CICs and Ohio development corporations by exempting certain of them from the required audits performed by or for the Auditor of State in the manner required for public offices. An exempted

corporation still must file with the Auditor of State the previously described annual financial report certified by the corporation's board of trustees or chief fiscal officer. To be exempt from an audit by or for the Auditor of State, a CIC or Ohio development corporation must meet one of the following (secs. 1724.05(B)(2) and 1726.11(B)(2)):

(1) Total revenues, receipts, or transfers into its accounts are not greater than \$300,000 during its fiscal year;

(2) Total expenditures, disbursements, or transfers out of its accounts are not greater than \$300,000 during its fiscal year.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	06-18-02	p. 1910

h0606-i.124/kl

