

WASHINGTON COUNTY, OHIO
COMMUNITY IMPROVEMENT CORPORATION, INC.
Financial Statements
December 31, 2002 and 2001

PERRY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, A.C.



**Auditor of State
Betty Montgomery**

Board of Trustees
Washington County Community Improvement Corporation
205 Putnam Street
Marietta, Ohio 45750

We have reviewed the Independent Auditor's Report of the Washington County Community Improvement Corporation, Washington County, prepared by Perry and Associates CPA's A.C., for the audit period January 1, 2001 to December 31, 2002. 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 Washington County Community Improvement Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 31, 2003

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Washington County, Ohio
Community Improvement Corporation, Inc.
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Washington County, Ohio
Community Improvement Corporation, Inc.
Board of Trustees
December 31, 2002

Office	Name
President	Michael Iaderosa
Vice-President	Richard Thomas
Secretary	Darlene Lukskin
Treasurer	Mark Bradley
Executive Committee Member	Emerson Shimp
Executive Committee Member	Sam Cook

Perry & Associates

Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, Ohio 45750
(740) 373-0056

January 30, 2003

The Board of Trustees
Washington County, Ohio Community
Improvement Corporation, Inc.
316 Third St.
Marietta, Ohio 45750

INDEPENDENT AUDITOR'S REPORT

We have audited the statements of financial position of the Washington County, Ohio Community Improvement Corporation, Inc. (a non-profit Corporation) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington County, Ohio Community Improvement Corporation, Inc. as of December 31, 2002 and 2001 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,


Perry and Associates
Certified Public Accountants

Washington County, Ohio
Community Improvement Corporation, Inc.
Combined Statements of Financial Position
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Current Assets:		
Cash in Bank - Checking Account (Note 6)	\$ 1,291	\$ 5,609
Money Market Account (Note 6)	21,837	137,467
Certificates of Deposit (Notes 3 & 6)	<u>50,000</u>	<u>50,000</u>
Total Current Assets	73,128	193,076
Fixed Assets:		
Land (Net of amount due to USDA, Note 8)	<u>84,000</u>	<u>170,127</u>
Total Fixed Assets	84,000	170,127
Other Assets		
Notes Receivable (Note 7)	<u>51,300</u>	<u>51,300</u>
Total Other Assets	<u>51,300</u>	<u>51,300</u>
Total Assets	<u>\$ 208,428</u>	<u>\$ 414,503</u>
 <u>Liabilities and Net Assets</u>		
Net Assets:		
Net Assets - Permanently Restricted	50,000	50,000
Net Assets - Unrestricted	<u>158,428</u>	<u>364,503</u>
Total Net Assets	<u>208,428</u>	<u>414,503</u>
Total Liabilities and Net Assets	<u>\$ 208,428</u>	<u>\$ 414,503</u>

The accompanying notes are an integral part of these financial statements.

Washington County, Ohio
Community Improvement Corporation, Inc.
Combined Statements of Activities
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Unrestricted Support and Revenue:		
Membership Dues and Annual Meeting	\$ 15,328	\$ 23,023
Interest Income	2,039	6,255
Miscellaneous	-0-	316
Funding - Economic Development Office	<u>35,967</u>	<u>197,722</u>
Total Unrestricted Support and Revenue	<u>53,334</u>	<u>227,316</u>
Unrestricted Expenses:		
Insurance	644	-0-
Meetings	448	594
Business Development	-0-	1,432
Economic Dev.-Reimb. by Comm.	64,450	202,930
Economic Dev.-OSU Ext. Office	23,010	14,400
Audit	2,300	1,900
Clerical Support	-0-	1,549
Office Supplies	311	13
Miscellaneous	556	96
Capital Contributions	14,500	3,850
Legal Fees	-0-	403
Loss on Impairment of Assets (Note 8)	<u>153,190</u>	<u>-0-</u>
Total Unrestricted Expenses	<u>259,409</u>	<u>227,167</u>
Change in Unrestricted Net Assets	<u>(206,075)</u>	<u>149</u>

The accompanying notes are an integral part of these financial statements.

Washington County, Ohio
Community Improvement Corporation, Inc.
Comparative Statements of Activities
For the Years Ended December 31, 2002 and 2001
(Continued)

	<u>2002</u>	<u>2001</u>
Total Change in Net Assets	(206,075)	149
Net Assets at Beginning of Year	<u>414,503</u>	<u>667,781</u>
Prior Period Adjustment (Note 9)	<u>-0-</u>	<u>(253,427)</u>
Net Assets at Beginning of Year	<u>\$ 208,428</u>	<u>\$ 414,503</u>

The accompanying notes are an integral part of these
financial statements.

Washington County, Ohio
Community Improvement Corporation, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ (206,075)	\$ 149
Adjustments:		
Loss on Impairment of Assets	<u>153,190</u>	<u>-0-</u>
Net Cash Provided (Used) by Operating Activities	<u>(52,885)</u>	<u>149</u>
<u>Cash Flows from Investing Activities:</u>		
Increase in Notes Receivable	<u>-0-</u>	<u>(1,300)</u>
Net Cash (Used) by Investing Activities	<u>-0-</u>	<u>(1,300)</u>
<u>Cash Flows from Financing Activities:</u>		
Amount Paid to USDA for Sale of Land	<u>(67,063)</u>	<u>-0-</u>
Net Cash (Used) by Financing Activities	<u>(67,063)</u>	<u>-0-</u>
Total Change in Cash and Cash Equivalents	<u>(119,948)</u>	<u>(1,151)</u>
Cash and Cash Equivalents at Beginning of Year	<u>143,076</u>	<u>144,227</u>
Cash and Cash Equivalents at End of Year	<u>\$ 23,128</u>	<u>\$ 143,076</u>

The accompanying notes are an integral part of these
financial statements.

Washington County, Ohio
Community Improvement Corporation, Inc.
Notes to Financial Statements
December 31, 2002

Note 1. Nature of Operations

The Community Improvement Corporation of Marietta, Ohio was incorporated on May 10, 1963, by Officers and Directors of the Marietta Area Chamber of Commerce. It was established to assist in the financing of Industrial Revenue Bonds exempt from Federal Income Tax. Under Ohio law, manufacturing, distribution, commercial, or research facilities are eligible. On August 7, 1987, the Community Improvement Corporation changed its name to Washington County, Ohio Community Improvement Corporation, Inc., which better describes its scope of operation.

Tax-free revenue bond financing permits 100% financing of land, buildings, and equipment as well as the development and financing costs of the project at interest rates lower than those usually obtained through other methods of financing. Principal and interest on the bonds are paid solely from the lease rental or installment payments made by the borrower.

The Washington County, Ohio Community Improvement Corporation, Inc. is operated by a Board of Trustees consisting of sixteen local citizens. Seven of the Trustees must be appointed or elected officials of the political subdivisions represented. The nine remaining positions are filled by election from the general membership.

Note 2. Summary of Significant Accounting Policies

- a) Basis of Accounting - Assets, liabilities, support, revenues and expenses are recognized on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized as they are incurred.
- b) Fund Accounting - The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 permitted by this statement, the Corporation does not use fund accounting.
- c) Fixed Assets - The Corporation holds land that is reported at lower of cost or net realizable value, which includes the cost of the purchase and certain improvements made to the land.
- d) Income Taxes - The Corporation is a non-profit corporation per the Internal Revenue Code Section 501(c)(6) and therefore is exempt from federal income taxes.

Washington County, Ohio
Community Improvement Corporation, Inc.
Notes to Financial Statements
December 31, 2002
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

e) Investments - The Corporation's investments consist of certificates of deposit and cost approximates market.

Note 3. Washington County Development Trust Fund

A trust fund in the amount of \$ 50,000 was established on May 10, 1985. The purpose of this trust is to promote business, educational, and social development. Trustees are to use only interest from the donation, with the principal remaining intact. The balance of the trust is included in Certificate of Deposit, and restricted net assets in the accompanying financial statements.

Note 4. Economic Development Office

The Corporation has joined efforts with the County Commissioners to establish and operate an Economic Development Office. The Commissioners are funding the majority of the cost of the office and the Community Improvement Corporation has agreed to fund certain amounts through other sources such as villages, townships, and cities, as well as through private and corporate contributions. This program started on July 1, 2001, and is being administered by Washington County. The Corporation currently is contributing \$15,000 per quarter for the fiscal year ended June 30, 2003.

Note 5. Pension Plan

Currently, the Corporation has no employees, therefore, no pension plan exists.

Note 6. Deposits and Investments

The following is a summary of the carrying value and bank balances by financial institution:

	<u>Carrying Value</u>	<u>Bank Balance</u>
<u>Bank:</u> Peoples Bank		
Certificate of Deposit (Restricted Investment)	<u>\$ 50,000</u>	<u>\$ 50,000</u>
<u>Bank:</u> Bank One		
Checking	<u>\$ 1,291</u>	<u>\$ 16,291</u>
Market Index Account	<u>\$ 21,837</u>	<u>\$ 21,837</u>
Total Deposits, Bank One	<u>\$ 23,128</u>	<u>\$ 38,128</u>

Washington County, Ohio
 Community Improvement Corporation, Inc.
 Notes to Financial Statements
 December 31, 2002
 (Continued)

Note 7. Note Receivable

During 2000 and 2001, the Corporation lent to Sequelle, Inc. \$ 50,000 and \$ 1,300 respectively. This is a non-interest bearing receivable. The Corporation expects to be reimbursed by Sequelle, Inc. when Sequelle, Inc. has adequate funding to repay the loan. As of December 31, 2002, Sequelle, Inc. has made no payments on the loan.

Note 8. Land (Net of amount due to USDA)

The land that is owned by the Corporation had been recorded at the lower of cost or net realizable value. At December 31, 2002, it is estimated that the net realizable market value of the owned land is substantially less than the cost, therefore a loss based on the impairment of the asset has been recorded in 2002. The amount of the loss is:

Reduction in basis due to lower value	\$273,554
Reduction in related payable to USDA	<u>(120,364)</u>
Loss on impairment of asset	<u>\$153,190</u>

The reported amount of land consists of the following at December 31:

	2002	2001
Lower of cost or market value	\$ 150,000	\$ 423,554
Due to USDA upon sale	<u>(66,000)</u>	<u>(253,427)</u>
Land per Statement of Financial Position	<u>\$ 84,000</u>	<u>\$ 170,127</u>

Washington County, Ohio Community Improvement Corporation, Inc. is required to pay USDA Rural Development 44% of the net selling price of any land that is sold. The Corporation reports the amount that will be due as a reduction of the net realizable value of the land.

Note 9. Prior Period Adjustment

In 1997 the Corporation received monies from the USDA Rural Development in the amount of \$ 299,000. The accountant assumed that it was a grant and recorded the amount as revenue in that year. It was not recognized that this grant was to be used to purchase land that would be sold by the Corporation in the future. At the time of sale of the land, the Corporation is required to pay the USDA Rural Development 44% of the net sales price. The amount of the liability recorded was \$253,427.

WASHINGTON COUNTY, OHIO
COMMUNITY IMPROVEMENT CORPORATION, INC.

For the Year Ended December 31, 2002

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Perry & Associates

Certified Public Accountants, A.C.

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MARIETTA
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January 30, 2003

The Board of Trustees
Washington County, Ohio Community
Improvement Corporation, Inc.
316 Third St.
Marietta, Ohio 45750

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the Washington County, Ohio Community Improvement Corporation, Inc. as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Washington County, Ohio Community Improvement Corporation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 2002-01.

The Board of Trustees
Washington County, Ohio Community
Improvement Corporation
January 30, 2003
Page Two

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, and members of Washington County, Ohio Community Improvement Corporation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Perry and Associates
Certified Public Accountants

Washington County, Ohio
Community Improvement Corporation, Inc.
Schedule of Audit Findings
December 31, 2002

Finding 2002-01 Segregation of Accounting Duties

It was noted during our audit that a lack of segregation of accounting duties exists within the organization. Due to the lack of available personnel, we recommend that the Board of Trustees take an active role in the accounting functions of the Corporation.

Management Response: The Board of Trustees are currently involved with some of the accounting functions. Further segregation of duties is economically not feasible. The Corporation also requires two signatures be present on all checks written.

Washington County, Ohio
Community Improvement Corporation, Inc.
Status of Prior Audit Findings and Recommendations
December 31, 2002

Segregation of Accounting Duties

It was noted during the fiscal year 2001 audit that a lack of segregation of accounting duties exists within the organization. Due to the lack of available personnel, we recommended that the Board of Trustees take an active role in the accounting functions of the Corporation.

Status

The Board of Trustees are currently involved with more of the accounting functions. Further segregation of duties is economically not feasible.

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**Auditor of State
Betty Montgomery**

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WASHINGTON COUNTY COMMUNITY IMPROVEMENT CORPORATION

WASHINGTON 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
JANUARY 20, 2004**