



Mary Taylor, CPA
Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation
Morgan County
155 East Main Street, Room 217
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2006 and 2005. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

Ohio Revised Code Section 1724.05 requires the Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statement and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statement does not present fairly the financial position, results of operations, and cash flows, where applicable, of the Corporation as of and for the years ended December 31, 2006 and 2005 in accordance with accounting principles generally accepted in the United States of America.

The Corporation has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 28 2007

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Cash Receipts:		
Intergovernmental	\$ 13,000	\$ 22,739
Rentals	481,138	843,942
Sales	17,930	265,000
Interest	4,101	3,434
Miscellaneous	6,656	24,521
Total Cash Receipts	522,825	1,159,636
Cash Disbursements:		
Current:		
Utilities	13,883	39,557
Contracts - Services	20,177	22,304
Taxes & Recording Fees	12,354	16,623
Insurance	49,762	59,378
Repairs	20,686	22,885
Miscellaneous	10,447	286
Debt Service:		
Principal Payment	377,173	331,129
Interest & Other Fiscal Charges	23,344	28,406
Capital Outlay	259,817	3,179,317
Intergovernmental	2,500	17,064
Total Cash Disbursements	790,143	3,716,949
Total Cash Receipts Over/(Under) Cash Disbursements	(267,318)	(2,557,313)
Other Financing Receipts/(Disbursements):		
Loan Proceeds	135,000	2,720,000
Total Other Financing Receipts/(Disbursements)	135,000	2,720,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(132,318)	162,687
Cash Balance, January 1	439,979	277,292
Cash Balance, December 31	\$ 307,661	\$ 439,979

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

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**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Community Improvement Corporation of Morgan County (the Corporation) is a not-for-profit corporation and was incorporated in 1967 under authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by 12 trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote industrial, economic, commercial and civic development of Morgan County.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

B. Basis of Accounting

Although required by Ohio Rev. Code Section 1724.05 to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on a cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters.

C. Tax Status

The Corporation has not filed as an exempt organization under Section 501c(4) of the Internal Revenue Code. Accordingly, the federal tax status is unknown at this time. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

D. Cash

The Corporation maintains several interest-bearing checking accounts.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. CASH

The Corporation maintains several checking accounts. The carrying amount of cash at December 31 was as follows:

	2006	2005
Demand deposits	<u>\$ 307,661</u>	<u>\$ 439,979</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005
(Continued)**

3. LAND AND BUILDINGS

The Corporation purchased the former Malta Windows manufacturing facility from Philips Industries in 2002 for \$800,000. This included both the various buildings on the site and approximately 226 acres of related land. The taxable value of this property is approximately \$2.5 million.

The Corporation also obtained the former Ohio Department of Transportation garage. It was donated to the Corporation by the State of Ohio. The taxable value of this property is approximately \$235,000. The property was sold to CEH Industries on April 13, 2005 for \$265,000.

The Corporation purchased the former Gould Electronics facility from Nikko Materials USA, Inc in 2005 for \$3,100,000. This included all buildings, equipment and approximately 25 acres of land. The taxable value of this property is approximately \$3,223,970.

4. DEBT

Debt outstanding at December 31, 2006 was as follows:

ODD Promissory Note - MPGC Facility	\$ 750,000	0% - 3%
ODD Promissory Note - Gould Facility	1,664,274	1% - 3%
Gould Electronics Note #1	400,000	0%
Gould Electronics Note #2	100,000	0%
CNB Commercial Loan	135,000	8.25%
Total	<u>\$ 3,049,274</u>	

The promissory note was issued by the Ohio Department of Development to enable the Corporation to pay off short-term financing for the acquisition of a building and land in Morgan County for economic development. During years 1 through 5 of the note, a zero percent interest rate applies. From year 6 to termination, a 3% interest rate applies. Further, no principal is required to be repaid until 2007. If the building and land are sold or transferred during years 1 through 5, the principal is required to be repaid in payments. If the building and land are sold or transferred during years 6 through termination, then immediate pay-off of the note is required. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

The promissory note was issued by the Ohio Department of Development to enable the Corporation to purchase the former Gould Electronics facility for economic development. During years 1 through 5 of the note, a one percent interest rate applies. From year 6 to termination, a 3% interest rate applies, plus a service fee equal to one-quarter of one percent (0.25%) per annum on the amount of principal from time to time outstanding from the disbursement date until paid. If the building and land are sold or transferred then immediate pay-off of the note is required. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

The promissory note was issued by Gould Electronics USA, Inc. to enable the Corporation to purchase the former Gould Electronics facility. The annual percentage rate was 0% on the note with a maturity date of June 1, 2010. The note is secured by the former Gould Electronics facility property purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005
(Continued)**

4. DEBT (Continued)

The promissory note was issued by Gould Electronics USA, Inc. to enable the Corporation to purchase the former Gould Electronics facility. There will be no interest paid on this note. This note may be paid by the Corporation to Gould Electronics USA, Inc. at any time the Corporation elects, but in no event no later than June 1, 2010.

The commercial loan was issued by the Citizens National Bank of McConnelsville to enable the Corporation to complete renovations to the buildings in the Morgan Partnership Growth Complex. The annual percentage rate was 8.25% on the note with a maturity date of December 7, 2007. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	ODD Promissory Note - MPGC	ODD Promisory Note - Gould	Gould Electronics Note #1	Gould Electronics Note #2	CNB Commercial Loan
2007	\$ 50,694	\$ 210,250	\$ 100,000		\$ 146,137
2008	86,905	210,250	100,000		
2009	86,905	210,250	100,000		
2010	86,905	218,321	100,000	100,000	
2011	86,905	221,012			
2012-2016	434,525	718,289			
2017-2021	36,210				
Total	<u>\$ 869,049</u>	<u>\$ 1,788,372</u>	<u>\$ 400,000</u>	<u>\$ 100,000</u>	<u>\$ 146,137</u>

5. RISK MANAGEMENT

Commercial Insurance

The Morgan County Community Improvement Corporation has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and,
- Wrongful acts and dishonesty bond.

6. CONTINGENCIES

Grants

The Corporation received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Corporation at December 31, 2006.

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2006 AND 2005
(Continued)**

7. SINKING, CLOSING AND REPAIR ACCOUNTS

In January 2005, the Corporation purchased property from Gould Electronics, located at 5045 North State Route 60, which was financed through a \$2,000,000 loan from the Ohio Department of Development, a \$120,000 loan from The Citizens National Bank, a \$500,000 loan (Note 1) from Gould, and a \$100,000 loan (Note 2) from Gould. The Corporation set up a MiBA Repair Fund, Gould Sinking Fund, Gould Closing Account and MPGC Sinking Fund.

The Corporation leased the property to MiBA at \$30,000 per month for 15 years. At the time of the purchase, MiBA requested additional cleanup of the facility in order to utilize the existing building space. The Community Improvement Corporation established a MiBA Repair Fund on January 14, 2005 in the amount of \$65,000 to be reimbursed to MiBA at the conclusion of the cleanup project. The Funds were disbursed to MiBA on February 8, 2006; the interest accumulated in the account was retained by the Corporation.

The Corporation makes a monthly payment into the Gould Sinking Fund Account in order to make the annual payment on Note 1 to Gould Electronics.

As part of the Contract for Sale of Real Estate that was executed, a Community Contribution Clause required the Corporation to assign, transfer, and set over all its rights to the proceeds from the aforementioned Note 2 in the amount of \$100,000 to a not-for-profit corporation or trust to be established by the Corporation. The Corporation set up the Gould Closing account in 2005 in the amount of \$179,337.

On May 15, 2002, the corporation received a note from the Ohio Department of Development to enable the Corporation to pay off short-term financing for the acquisition of a building and land in Morgan County for economic development (Morgan Professional Growth Complex - MPGC) in the amount of \$750,000. Further, no principal is required to be repaid until 2007, therefore, the Corporation elected to establish the MPGC Sinking Fund Account in 2006. The Corporation makes a monthly payment into the MPGC sinking fund in order to make future payments to the Ohio Department of Development.

8. SUBSEQUENT EVENTS

As part of the Contract for Sale of Real Estate that was executed in January 2005, a Community Contribution Clause required the Corporation to assign, transfer, and set over all its rights to the proceeds from the aforementioned Note 2 in the amount of \$100,000 to a not-for-profit corporation or trust to be established by the Corporation. The Corporation set up the Gould Closing account in 2005 in the amount of \$179,337. At the request of Gould Electronics, the account was closed in March 2007, and the balance was transferred to the Gould Community Projects Fund.

On September 13, 2007, the MPGC facility was damaged by a fire. This facility is owned by the Corporation. No insurance settlement has been agreed to at this time.



Mary Taylor, CPA

Auditor of State

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

Community Improvement Corporation
Morgan County
155 East Main Street, Room 217
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 28, 2007, wherein we noted the Corporation prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Corporation's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Corporation's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Corporation's management in a separate letter dated September 28, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statement is 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Corporation's management in a separate letter dated September 28, 2007.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 28, 2007

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 1724.05 requires the Corporation to file its annual financial report in accordance with accounting principles generally accepted in the United States of America.

The Corporation prepared its financial statement and notes on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statement and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed in accordance with generally accepted accounting principles.

FINDING NUMBER 2006-002

Significant Deficiency

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Board of Trustees obtained financing amounting to \$2,720,000 in promissory notes and loans for the purchase of property in 2005. The proceeds of the debt were paid directly to the seller. The Treasurer did not post the total debt proceeds or the total expenditure for the purchase to its books.

In addition, the Corporation opened the Gould Closing Account, Gould Sinking Fund Account, MIBA Repair Fund Account, and MPGC Sinking Fund Account during the audit period. However, the transfers of funds to these accounts from the general checking account were recorded as expenditures on the books and financial statement instead of the activity of these accounts. Audit adjustments were proposed to back off these transfers from the general checking to the other CIC bank accounts since it was still the Corporation's monies and record the actual transactions to the books and financial statement. The net adjustment to the financial statement as of December 31, 2006 related to recording the activity of these accounts was \$207,522.

As a result, receipts and disbursements were understated on the Corporation's books and financial statements. Adjustments with which the Corporation agrees have been posted to the accompanying financial statement.

We recommend the Treasurer record all debt proceeds and the corresponding expenditures, as well as all of the activity of the Gould Closing Account, Gould Sinking Fund Account, MIBA Repair Fund Account, and MPGC Sinking Fund Account in the Corporation's books and annual financial statement.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	A reportable condition was issued for failure to retain supporting documentation for all disbursements written by the Corporation as evidence that the services were actually received.	No	Partially Corrected; this item is repeated in the management letter.
2004-002	A material noncompliance citation was issued under Ohio Revised Code Section 1724.05 for failure to file the annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected; this item is repeated in the current audit Schedule of Findings as Finding Number 2006-001.



Mary Taylor, CPA
Auditor of State

COMMUNITY IMPROVEMENT CORPORATION

MORGAN 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
NOVEMBER 15, 2007**