



Mary Taylor, CPA
Auditor of State

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Highland County Community Improvement Corporation
Highland County
100 North High Street
PO Box 10
Hillsboro, Ohio 45133

To the Board of Directors:

We have audited the accompanying statements of financial position of the Highland County Community Improvement Corporation, Highland County, Ohio (a nonprofit corporation – the Corporation), as of and for the years ended December 31, 2005, 2004, and 2003, and related statements of activities. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions 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 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 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 our audit provides a reasonable basis for our opinions.

The Corporation omitted the statement of cash flows for the years ended December 31, 2005, 2004, and 2003. Accounting principles generally accepted in the United States of America require presenting the statement of cash flows summarizing the Corporation's operating, investing, and financing.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Highland County Community Improvement Corporation, Highland County, Ohio, as of December 31, 2005, 2004, and 2003, and the respective changes in financial position, for the years 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 our report dated December 17, 2007, on our consideration of the Government'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

December 17, 2007

Highland County Community Improvement Corporation
Statement of Financial Position
December 31, 2005

Assets

Cash and Cash Equivalents	\$59,842
Construction Costs in progress	771,149
Real Estate (net of depreciation)	1,286,736
Total Assets	<u><u>\$2,117,727</u></u>

Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$6,959
Deposits	294,934
Total Current Liabilities	<u>301,893</u>

Notes Payable	1,136,659
Accrued Interest	
Total Liabilities	<u>1,438,552</u>

Net Assets

Unrestricted	679,175
Total Liabilities and Net Assets	<u><u>\$2,117,727</u></u>

See accompanying notes to the basic financial statements

Highland County Community Improvement Corporation
Statement of Activities
For the Year Ended December 31, 2005

Unrestricted Net Assets

Revenue	
Building Rent	\$17,705
Condo Fee	178,172
Reimbursement	50
Lease Income	2,567
Interest Income	96
Total Revenues	<u>198,590</u>
Expenses	
Accounting Fees	3,745
Professional Fees	1,200
Advertising	-
Bank Service Charges	3
Depreciation	27,178
Dues and Subscriptions	-
Insurance	1,384
Loan Interest	53,832
Janitorial	21,650
Miscellaneous Expense	-
Pest Control	1,045
Legal Fees	840
Repairs	6,830
Real Estate Taxes	13,861
Utilities	50,822
Total Expenses	<u>182,390</u>
Increase in Unrestricted Net Assets	16,200
Net Assets at Beginning of Year	<u>662,975</u>
Net Assets at End of Year	<u><u>\$679,175</u></u>

See accompanying notes to the basic financial statements

Highland County Community Improvement Corporation
Statement of Financial Position
December 31, 2004

Assets

Cash and Cash Equivalents	\$21,205
Construction Costs in progress	771,149
Real Estate (net of depreciation)	1,313,914
Total Assets	\$2,106,268

Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$9,134
Deposits	297,500
Total Current Liabilities	306,634

Notes Payable	1,136,659
Accrued Interest	-
Total Liabilities	1,443,293

Net Assets

Unrestricted	662,975
Total Liabilities and Net Assets	\$2,106,268

See accompanying notes to the basic financial statements

Highland County Community Improvement Corporation
Statement of Activities
For the Year Ended December 31, 2004

Unrestricted Net Assets

Revenue	
Condo Fee	\$127,988
Reimbursement	29,185
Lease Income	10,533
Interest Income	166
Total Revenues	<u>167,872</u>
Expenses	
Accounting Fees	1,870
Advertising	1,054
Bank Service Charges	132
Depreciation	25,858
Dues and Subscriptions	103
Insurance	5,389
Interest Expense	64,362
Janitorial	33,348
Miscellaneous Expense	3,406
Pest Control	1,045
Legal Fees	4,981
Repairs	15,732
Real Estate Taxes	16,565
Utilities	62,311
Loss on Sale of Real Estate	119,471
Total Expenses	<u>355,627</u>
Increase in Unrestricted Net Assets	(187,755)
Net Assets at Beginning of Year	<u>850,730</u>
Net Assets at End of Year	<u><u>\$662,975</u></u>

See accompanying notes to the basic financial statements

Highland County Community Improvement Corporation
Statement of Financial Position
December 31, 2003

Assets

Cash and Cash Equivalents	\$211,019
Construction Costs in progress	1,628,040
Real Estate (net of depreciation)	1,234,149
Total Assets	\$3,073,208

Liabilities and Net Assets:

Current Liabilities

Accounts Payable	\$33,352
Deposits	506,033
Total Current Liabilities	539,385

Notes Payable	1,662,085
Accrued Interest	21,008
Total Liabilities	2,222,478

Net Assets

Unrestricted	850,730
Total Liabilities and Net Assets	\$3,073,208

See accompanying notes to the basic financial statements

Highland County Community Improvement Corporation
Statement of Activities
For the Year Ended December 31, 2003

Unrestricted Net Assets

Revenue	
Construction Reimbursement	\$259,920
Condo Fee	29,837
Donations	299
In-Kind Donations	425,000
Grants	69,175
Gain on Sale of Real Estate	111,966
Lease Income	7,967
Interest Income	3,159
Total Revenues	<u>907,323</u>
Expenses	
Depreciation	12,269
Advertising	6,533
Bank Service Charges	91
Dues and Subscriptions	383
Insurance	5,031
Interest Expense	49,987
Janitorial	5,428
Pest Control	310
Legal Fees	2,217
Repairs	990
Real Estate Taxes	616
Utilities	42,398
Total Expenses	<u>126,253</u>
Increase in Unrestricted Net Assets	781,070
Net Assets at Beginning of Year	<u>69,660</u>
Net Assets at End of Year	<u><u>\$850,730</u></u>

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004, AND 2003**

1. REPORTING ENTITY

ORGANIZATION

The Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), is an Ohio corporation established on March 15, 1968 under sections 1724.01 et seq. of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of Highland County. The Corporation is a legally separate, nongovernmental non-profit organization, served by an eleven-member board comprised of county officials and community representatives.

The Corporation was created to advance, encourage, and promote the industrial, economic, commercial, and civic development of Highland County and the surrounding community in whatever way and by such means as will improve the normal growth, employment opportunities, and stability of employment in existing industries. The Corporation is empowered with the ability to carry out the actions it considers necessary to achieve its mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of the Corporation.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting principles generally accepted in the United States of America (GAAP) as applied to not-for-profit organizations. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for not-for-profit organizations.

Basis of Presentation

The Corporation's financial statements consist of statement of financial position and statement of activities. The Corporation omitted the statement of cash flows for the years ended December 31, 2005, 2004, and 2003. Presentation of such statements summarizing the Corporation's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, the Corporation has only unrestricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted support unless there are any donor-imposed restrictions.

Capital Assets

Capital assets are stated at cost and are depreciated over the estimated useful lives of 40 years by the straight-line method of depreciation for financial reporting purposes. Repairs and maintenance are charged to operations when incurred and improvements and additions are capitalized. The capitalization threshold is \$500.

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004, AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Tax Status

The Corporation has qualified for a tax exemption under Section 501 C (3) of the Internal Revenue Code and, accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

Cash and Cash Equivalents

The Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of cash and interest bearing savings and checking accounts.

3. CASH AND CASH EQUIVALENTS

At December 31, 2005, 2004, and 2003, cash and cash equivalents consisted of the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Demand Deposits	\$59,842	\$21,205	\$211,019

Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Deposits in excess of \$100,000 are covered under pooled collateral agreement.

4. CAPITAL ASSETS

The Corporation's Capital Assets at December 31, 2005, 2004, and 2003 are as follows:

	<u>12/31/2005</u>	<u>12/31/2004</u>	<u>12/31/2003</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
Land	\$ 264,911	\$ 264,911	\$ 264,911
Building	1,087,130	1,087,130	981,507
Total	<u>1,352,041</u>	<u>1,352,041</u>	<u>1,246,418</u>
Accumulated Depreciation	<u>(65,305)</u>	<u>(38,127)</u>	<u>(12,269)</u>
Total Net Real Estate	<u>1,286,736</u>	<u>1,313,914</u>	<u>1,234,149</u>
Construction in Progress	<u>771,149</u>	<u>771,149</u>	<u>1,628,040</u>
Total Capital Assets	<u>\$ 2,057,885</u>	<u>\$ 2,085,063</u>	<u>\$ 2,862,189</u>

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004, AND 2003
(Continued)**

5. DEBT

The Corporation's debt outstanding at December 31, 2005, 2004, and 2003 was as follows:

	12/31/2005 Principal	12/31/2004 Principal	12/31/2003 Principal
Merchants National Bank #84654	\$ 937,358	\$ 937,358	\$ 937,358
Merchants National Bank #84653	0	0	524,727
Hillsboro Revolving Loan	199,301	199,301	200,000
Total	<u>\$ 1,136,659</u>	<u>\$ 1,136,659</u>	<u>\$ 1,662,085</u>

The Merchants National Bank #84654 was approved to pay off a loan with Fifth Third Bank that was for the purchase of 9.556 acres. This note is renewable each year. The amount outstanding as of December 31, 2005 is due January 17, 2006.

The Merchants National Bank #84653 was approved to finance the renovation of office and business space at the 9.556 acre property.

The Hillsboro Revolving Loan was approved to finance the renovation of the HVAC and office space at the 9.556 acre property.

The annual requirements to amortize debt outstanding as of December 31, 2005, including interest, are as follows:

Year ending December 31:	Hillsboro Revolving Loan Fund
2006	\$19,988
2007	19,988
2008	19,988
2009	19,988
2010	19,988
2011-2015	99,940
2016-2020	70,769
Total	<u>\$270,649</u>

6. CONSTRUCTION IN PROGRESS

The Corporation is developing a building with office condominiums that can be purchased or leased from the organization. All costs invested in this development is capitalized as work in progress until the condominiums are completed and available for purchase or lease.

7. DEPOSITS

All deposits of money for condos are shown as a current liability until the purchase of the condominium is completed and a real estate settlement transaction has occurred.

**HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005, 2004, AND 2003
(Continued)**

8. RELATED PARTY TRANSACTIONS

James Evans, the Treasurer of the Highland County Community Improvement Corporation, is also the vice-president of Merchants National Bank in Hillsboro, Ohio. The Highland County Community Improvement Corporation utilizes Merchants National Bank for their banking services for their checking account and debt issues.

Richard Graves, Highland County Commissioner and Highland County Community Improvement Corporation Board Member, signed a lease purchase agreement for a community service center condominium. Mr. Graves signed the agreement representing the Highland County Community Improvement Corporation. Another commissioner signed the agreement representing the county.

9. IN KIND DONATIONS

The organization acquired property in 2003. The seller gave a gift of equity in the transaction of \$425,000 that is reported as an In Kind Donation.

10. CONCENTRATIONS

The Highland County Community Improvement Corporation depends on condo fees and building rent for its continued existence.

11. INSURANCE

The Highland County Community Improvement Corporation maintains property insurance through a private insurance carrier.

12. LEASE/ PURCHASES

Lease Purchase Agreement between Highland County Community Improvement Corporation "Lessor", and the Highland County Commissioners "Lessee", Unit #1 and #1A of the Community Service Center Condominium. The County Commissioners paid \$239,000 on January 8, 2003 as rent with the option to purchase Unit #1 and #1A for \$1 the conditions of the lease.

Lease Purchase Agreement between Highland County Community Improvement Corporation "Lessor" and the Highland County Health District "Lessee" unit #2 of the Community Service Center Condominium. The Highland County Health Department paid \$877,000 on February 14, 2003 as rent with the option to purchase unit #2 upon the conditions of the lease.



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*

Highland County Community Improvement Corporation
Highland County
100 North High Street
PO Box 10
Hillsboro, Ohio 45133

To the Board of Directors:

We have audited the accompanying statements of financial position of the Highland County Community Improvement Corporation, Highland County, Ohio (the Corporation), as of and for the years ended December 31, 2005, 2004, and 2003, and the related statement of activities and have issued our report thereon dated December 17, 2007, wherein we noted the Corporation omitted the statement of cash flows for the years ended December 31, 2005, 2004, and 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider the reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Corporation's management dated December 17, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Corporation's management dated December 17, 2007, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 17, 2007

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
JANUARY 1, 2003 THROUGH DECEMBER 31, 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2005-001

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 1724.05, requires community improvement corporations to prepare an annual financial report that conforms to rules prescribed by the auditor of state pursuant to section 117.20 of the Revised Code that is prepared according to generally accepted accounting principles (GAAP).

The Corporation's accompanying financial statements consist of the statement of financial position and the statement of activities. The Corporation omitted the statement of cash flows for the years ended December 31, 2005, 2004, and 2003. Presentation of such statements summarizing the Corporation's operating, investing, and financing activities is required by accounting principles generally accepted in the United States of America.

Failure to prepare a complete set of GAAP financial statements reduces the Corporation's ability to monitor and analyze financial activity and to make sound decisions which effect the overall available cash position of the Corporation.

We recommend the Corporation take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles, which includes the statement of cash flows.

We did not receive a response from officials to the finding above.



Mary Taylor, CPA
Auditor of State

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

HIGHLAND 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
MARCH 6, 2008**