



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  
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, 2008 and 2007. 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 and results of operations of the Corporation as of and for the years ended December 31, 2008 and 2007 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 November 17, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 17, 2009

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$ 360,454	\$ 154,637
Rentals	360,000	468,770
Reimbursements	18,768	19,050
Interest	3,434	2,872
Miscellaneous	774,673	940
Total Cash Receipts	1,517,329	646,269
<b>Cash Disbursements:</b>		
Current:		
Utilities	2,031	16,199
Application Fees	45,925	
Taxes	2,383	13,449
Insurance	2,359	48,441
Contract Labor	29,900	
Foundation	50,000	
Professional Fees	74,314	28,875
Insurance Settlement	392,000	
Miscellaneous	25,255	8,904
Debt Service:		
Principal Payment	486,451	966,090
Interest & Other Fiscal Charges	17,249	24,027
Capital Outlay	3,500	98,521
Intergovernmental	265,091	13,375
Total Cash Disbursements	1,396,458	1,217,881
Total Cash Receipts Over/(Under) Cash Disbursements	120,871	(571,612)
<b>Other Financing Receipts/(Disbursements):</b>		
Sale of Real Estate		395,049
Total Other Financing Receipts/(Disbursements)	0	395,049
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	120,871	(176,563)
Cash Balance, January 1 (Restated - See Note 2)	140,848	317,411
<b>Cash Balance, December 31</b>	<b>\$ 261,719</b>	<b>\$ 140,848</b>

*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, 2008 AND 2007**

**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. Accounting Basis**

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. 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. Restatement of Fund Balances**

For the year ended December 31, 2006, adjustments resulted in fund balance restatements as follows:

	<u>Fund Balance at December 31, 2006</u>	<u>Restatement Amount</u>	<u>Fund Balance at January 1, 2007</u>
<u>Governmental Funds:</u>			
General	\$ 307,661	\$ 9,750	\$ 317,411

An adjustment was made to the fiscal year 2006 financial statements to eliminate reconciling factors related to December 31, 2006 account transfers that were recorded as 2006 expenditures but were recorded as 2007 receipts. The balances were adjusted to reflect the actual balances of the Corporation.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Deposits**

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

	2008	2007
Demand deposits	\$ 261,719	\$ 140,848

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

**4. 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. On November 8, 2006, the Ohio Department of Development executed a partial release of mortgage for 17.93 acres of land that the Corporation sold to the Villages of Malta and McConnelsville. On October 9, 2007, the Corporation sold the manufacturing facility and 18.98 acres to ABC Incorporated for \$395,049.

The Corporation purchased the former Gould Electronics facility from Nikko Materials USA, Incorporated 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.

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

Ohio Department of Development Note - Gould Facility	\$ 1,273,326	1% - 3%
Total	\$ 1,273,326	

On May 15, 2002, a 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 applied. Further, no principal was required to be repaid until 2007. If the building and land were sold or transferred during years 1 through 5, the principal was 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 was secured by the building and lands purchased by the Corporation, and the revenues of the Corporation were pledged to repay this debt. The Corporation made a \$50,000 principal payment on August 29, 2007 and amended the Promissory Note with the Ohio Department of Development in the amount of \$395,049. At that time the Corporation invoked a debt forgiveness clause that eliminated \$300,000 of the original debt and received an extension to defer payments for an additional two years. The manufacturing facility and 18.98 acres were sold to ABC Incorporated on October 9, 2007. The buyer was able to obtain a CDBG loan through the Morgan County Development Office in the amount of \$395,049, which was subsequently paid to the Ohio Department of Development as satisfaction of the debt.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

On January 21, 2005, a 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.

On January 14, 2005, promissory note #1 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 was secured by the former Gould Electronics facility property purchased by the Corporation, and the revenues of the Corporation were pledged to repay this debt. The Corporation made annual payments in the amount of \$100,000 beginning in 2006. However, in December, 2008, the Corporation negotiated with Gould Electronics USA, Inc. for an early payoff of the debt in the amount of \$190,000, resulting in a \$10,000 savings for the Corporation.

On January 14, 2005, promissory note #2 was issued by Gould Electronics USA, Inc. to enable the Corporation to purchase the former Gould Electronics facility. There is no interest 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. Per review of the Contract for Sale of Real Estate Section 14 Community Contribution, promptly after closing (or as soon thereafter as requested by Buyer), Seller shall assign, transfer, and set over all its rights to the proceeds from the aforesaid Note #2 in the amount of \$100,000 to a not-for-profit corporation or trust to be established by Buyer (or its trustees). Seller agrees that said \$100,000 may be paid directly by Buyer to this not-for-profit entity. The Corporation disbursed \$8,425 on October 18, 2006 to the Village of McConnelsville for park improvements. The CIC also disbursed \$12,061 on December 15, 2007 to the Village of McConnelsville for park improvements. On December 31, 2007, the Corporation disbursed the remaining \$79,513 plus interest to the Community Foundation in compliance with the Real Estate Contract.

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

Year ending December 31:	Ohio Department of Development Note - Gould Facility
2009	\$ 210,250
2010	218,321
2011	221,012
2012	221,012
2013	221,012
2014-2015	276,265
Total	<u>\$ 1,367,872</u>

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Risk Management**

**Commercial Insurance**

The Corporation has obtained commercial insurance for the following risks:

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

**7. Contingencies**

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 are 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, 2008.

**8. Subsequent Events**

The Corporation rolled over the outstanding debt with the Ohio Department of Development in the amount of \$1,273,326 into a \$3,500,000 debt issue in order to finance the expansion of the MiBA facility. The first draw in the amount of \$483,360 was received by the Corporation on January 21, 2009.



# 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  
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, 2008 and 2007, and have issued our report thereon dated November 17, 2009, wherein we noted the Corporation did not prepare financial statements in accordance with 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-002 described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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 the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Corporation's management in a separate letter dated November 17, 2009.

### **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 2008-001.

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 November 17, 2009.

The Corporation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

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

November 17, 2009

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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.

**Officials' Response:** The Morgan County CIC chooses to file on a "cash basis" because it is allowable under State Auditor's acceptable accounting practices and it is a cost effective method for CIC.

**FINDING NUMBER 2008-002**

**Material Weakness**

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 Corporation recorded 2008 revenue in the amount of \$107,329 from the Auditor of State and the Village of Malta as Miscellaneous Revenue. It should have been recorded as Intergovernmental Revenue.

The Corporation sold the Malta Windows Facility to ABC Incorporated on October, 9, 2007. As part of the purchase agreement, ABC, Inc. paid off the outstanding Corporation debt (Ohio Department of Development Rural Industrial Park Loan) in the amount of \$395,049. However, this transaction was not recorded on the Corporation's financial statement.

The Corporation closed the Gould Closing Account with disbursements in the amount of \$93,225 to the Village of McConnelville and the Community Foundation in December 2007. However, the Corporation recorded these expenditures as Miscellaneous Expense. They should have been recorded as Debt Service Principal payments since they were a payoff of the promissory note #2 in the Gould property purchase.

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-002 (Continued)**

**Material Weakness (Continued)**

In addition, the Corporation maintained the Gould Closing Account, Gould Sinking Fund Account and MPGC Sinking Fund Account during 2007. The Corporation also maintained the Gould Sinking Fund Account during 2008. However, the transfers of funds to these accounts from the general checking account were recorded as expenditures on the books and financial statement. Audit adjustments were proposed to back off these transfers from the general checking to the other Corporation bank accounts since it was still the Corporation's monies. The adjustment to the financial statement as of December 31, 2008 and 2007 was \$84,700 and \$116,500, respectively.

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

We recommend the Treasurer properly record all financial activity on the Corporation's books and annual financial statement.

**Officials' Response:** Morgan County CIC board approved to bring in a consultant on QuickBooks that will review the current setup and provide guidance on how financial activity is recorded. A copy of this report will be provided to the consultant.



**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	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 2008-001.
2006-002	A significant deficiency was issued for not posting debt proceeds or the corresponding expenditure and for improperly posting transfers of checking account balances as expenditures on the books of the Corporation.	No	Not Corrected; this item is repeated in the current audit Schedule of Findings as Finding Number 2008-002.





**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  
DECEMBER 8, 2009**