Highland County Community Improvement Corporation
Highland County, Ohio

Regular Audit

January 1, 2006, through December 31, 2008
Fiscal Years Audited Under GAGAS: 2008, 2007 and 2006

bhs

Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Highland County Community Improvement Corporation, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2008. 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 Highland County Community Improvement Corporation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 12, 2009

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Highland County Community Improvement Corporation
Highland County, Ohio

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Independent Auditor's Report

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

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, 2008, 2007, and 2006, and related statements of activities and cash flows. 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 *Governmental 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 and the report of other auditors provides a reasonable basis for our opinions based on our audit and the report of other auditors

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation as of December 31, 2008, 2007, and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2009, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2009

Highland County Community Improvement Corporation
Statements of Financial Position
December 31, 2008

Assets:	
Cash and Cash Equivalents	$108,704
Construction Costs in progress	574,867
Real Estate (net of depreciation)	1,949,001
Total Assets:	$2,632,572
Liabilities and Net Assets:	
Current Liabilities	
Accounts Payable	$15,106
Deposits	294,935
Total Current Liabilities:	310,041
Notes Payable	$1,455,027
Total Liabilities:	1,765,068
Net Assets:	
Unrestricted	867,504
Total Liabilities and Net Assets:	$2,632,572

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statements of Financial Activities
For the Year Ended December 31, 2008

Unrestricted Net Assets:	
Revenues:	
Condo Fee	285,777
Lease Income	113,070
Interest Income	273
Miscellaneous	110
Total Revenues:	399,230
Expenses:	
Accounting Fees	12,466
Bank Service Charges	3
Depreciation	33,770
Loan Interest	94,643
Janitorial	11,600
Miscellaneous	23
Pest Control	1,140
Repairs	15,915
Real Estate Taxes	17,839
Utilities	79,766
Total Expenses:	267,165
Decrease in Unrestricted Net Assets	132,065
Net Assets, Beginning of Year	735,439
Net Assets, End of Year	$867,504

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation

Statements of Cash Flows

For the Year Ended December 31, 2008

Cash Flows From Operating Activities:	
Change in Net Assets	$132,065
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:	
Depreciation	33,770
Increase in Accounts Payable	4,910
Net Cash Used by Operating Activities:	170,745
Cash Flows From Capital Activities:	
Real Estate Improvements	(15,630)
Net Cash Provided by Investing Activities:	(15,630)
Cash Flows From Financing Activities:	
Principal Payments	(79,297)
Net Cash Provided by Investing Activities:	(79,297)
Net Change in Cash and Cash Equivalents:	75,818
Cash and Cash Equivalents at Beginning of Year	32,886
Cash and Cash Equivalents at End of Year	$108,704

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statements of Financial Position
December 31, 2007

Assets:	
Cash and Cash Equivalents	$32,886
Construction Costs in progress	574,867
Real Estate (net of depreciation)	1,967,141
Total Assets:	$2,574,894
Liabilities and Net Assets:	
Current Liabilities	
Accounts Payable	$10,196
Deposits	294,935
Total Current Liabilities:	305,131
Notes Payable	$1,534,324
Total Liabilities:	1,839,455
Net Assets:	
Unrestricted	735,439
Total Liabilities and Net Assets:	$2,574,894

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation

Statements of Financial Activities

For the Year Ended December 31, 2007

Unrestricted Net Assets:	
Revenues:	
Building Rent	$12,500
Condo Fee	162,062
Lease Income	103,647
Interest Income	145
Miscellaneous	2,806
Total Revenues:	281,160
Expenses:	
Accounting Fees	3,850
Advertising	271
Bank Service Charges	6,392
Depreciation	33,510
Loan Interest	65,666
Janitorial	12,054
Pest Control	1,140
Repairs	20,003
Real Estate Taxes	18,259
Utilities	70,158
Total Expenses:	231,303
Decrease in Unrestricted Net Assets	49,857
Net Assets, Beginning of Year	685,582
Net Assets, End of Year	$735,439

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statements of Cash Flows
For the Year Ended December 31, 2007

Cash Flows From Operating Activities:	
Change in Net Assets	$49,857
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:	
Depreciation	33,510
Decrease in Accounts Payable	(3,132)
Net Cash Used by Operating Activities:	80,235
Cash Flows From Capital Activities:	
Constructions Costs - WIP	(29,125)
Net Cash Provided by Investing Activities:	(29,125)
Cash Flows From Financing Activities:	
Principal Payments	(114,715)
Net Cash Provided by Investing Activities:	(114,715)
Net Change in Cash and Cash Equivalents:	(63,605)
Cash and Cash Equivalents at Beginning of Year	96,491
Cash and Cash Equivalents at End of Year	$32,886

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statements of Financial Position
December 31, 2006

Assets:	
Cash and Cash Equivalents	$96,491
Construction Costs in progress	545,742
Real Estate (net of depreciation)	2,000,650
Total Assets:	$2,642,883
Liabilities and Net Assets:	
Current Liabilities	
Accounts Payable	$13,328
Deposits	294,934
Total Current Liabilities:	308,262
Notes Payable	$1,649,039
Total Liabilities:	1,957,301
Net Assets:	
Unrestricted	685,582
Total Liabilities and Net Assets:	$2,642,883

See accompanying notes to the financial statements.

Highland County Coummunity Improvement Corporation
Statements of Financial Activities
For the Year Ended Decemeber 31, 2006

Unrestricted Net Assets:	
Revenues:	
Building Rent	$33,332
Condo Fee	162,050
Lease Income	36,977
Interest Income	189
Total Revenues:	232,548
Expenses:	
Accounting Fees	5,823
Advertising	262
Bank Service Charges	3
Depreciation	33,509
Loan Interest	76,547
Janitorial	6,054
Miscellaneous	93
Pest Control	1,140
Repairs	27,411
Real Estate Taxes	18,173
Utilities	57,126
Total Expenses:	226,141
Increase in Unrestricted Net Assets	6,407
Net Assets, Beginning of Year	679,175
Net Assets, End of Year	$685,582

See accompanying notes to the financial statements.

Highland County Community Improvement Corporation
Statements of Cash Flows
For the Year Ended December 31, 2006

Cash Flows From Operating Activities:	
Change in Net Assets	$6,407
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:	
Depreciation	33,509
Increase in Accounts Payable	6,369
Net Cash Used by Operating Activities:	46,285
Cash Flows From Capital Activities:	
Constructions Costs - WIP	(522,017)
Net Cash Provided by Investing Activities:	(522,017)
Cash Flows From Financing Activities:	
Loan proceeds	540,000
Principal Payments	(27,619)
Net Cash Provided by Investing Activities:	512,381
Net Change in Cash and Cash Equivalents:	36,649
Cash and Cash Equivalents at Beginning of Year	59,842
Cash and Cash Equivalents at End of Year	$96,491

See accompanying notes to the financial statements.

NOTE 1-REPORTING ENITIY

Organization

The Highland County Community Improvement Corporation, Highland County (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, 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 the 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.

NOTE 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 principals 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 principals for non-profit organizations.

Basis of Presentation

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.

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 disclosures 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The Corporation has qualified for a tax exemption under the 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.

NOTE 3-CASH AND CASH EQUIVALENTS

At December 31, 2008, 2007, and 2006, cash and cash equivalents consisted of the following:

	2008	2007	2006
Demand Deposits	$108,704	$32,886	$96,491

During 2008, deposits were insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

NOTE 4-CAPITAL ASSETS

The Corporation's Capital Assets at December 31, 2008, 2007, and 2006 are as follows:

	1/1/2006 Balance	Additions	Deletions	12/31/2006 Balance
Land	$ 264,911	$ -	$ -	$ 264,911
Building	1,087,130	747,423	-	1,834,553
Total	1,352,041	747,423	-	2,099,464
Accumulated Depreciation	(65,305)	(33,509)	-	(98,814)
Total Net Real Estate	1,286,736	713,914	-	2,000,650
Construction in Progress	771,149	522,016	747,423	545,742
Total Captial Assets	$ 2,057,885	$ 1,235,930	$ 747,423	$ 2,546,392

	1/1/2007 Balance	Additions	Deletions	12/31/2007 Balance
Land	$ 264,911	$ -	$ -	$ 264,911
Building	1,834,553	-	-	1,834,553
Total	2,099,464	-	-	2,099,464
Accumulated Depreciation	(98,814)	(33,509)	-	(132,323)
Total Net Real Estate	2,000,650	(33,509)	-	1,967,141
Construction in Progress	545,742	29,125	-	574,867
Total Captial Assets	$ 2,546,392	$ (4,384)	$ -	$ 2,542,008

NOTE 4-CAPITAL ASSETS (Continued)

	1/1/2008 Balance	Additions	Deletions	12/31/2008 Balance
Land	$ 264,911	$ -	$ -	$ 264,911
Building	1,834,553	15,630	-	1,850,183
Total	2,099,464	15,630	-	2,115,094
Accumulated Depreciation	(132,323)	(33,770)	-	(166,093)
Total Net Real Estate	1,967,141	(18,140)	-	1,949,001
Construction in Progress	574,867	-	-	574,867
Total Captial Assets	$ 2,542,008	$ (18,140)	$ -	$ 2,523,868

NOTE 5-DEBT

The Corporation's debt outstanding at December 31, 2008, 2007, and 2006 was as follows:

	12/31/2008 Principal	12/31/2007 Principal	12/31/2006 Principal
Merchants National Bank # 84654	$ 832,608	$ 859,734	$ 918,760
Merchants National Bank # 86401	$ 455,489	$ 496,327	540,000
Hillsboro Revolving Loan	166,930	178,263	190,279
	$ 1,455,027	$ 1,534,324	$ 1,649,039

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 and a building. This note is renewable each year. The amount outstanding as of December 31, 2008 is due January 17, 2009.

The Merchants National Bank #86401 was approved to make improvements to the office space that has been leased by the Highland District Hospital for doctor offices.

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, 2008, are as follows:

Year ending December 31:	Principal	Interest
2008	$85,397	$87,170
2009	91,345	81,222
2010	97,525	75,051
2011	103,931	68,635
2012	111,164	61,402
2013-2017	503,208	195,547
2018-2022	306,890	86,240
2023-2026	155567	9,824
Total	$1,455,027	$665,091

NOTE 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 are capitalized as work in process until condominiums are completed and available for purchase or lease.

NOTE 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.

NOTE 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.

NOTE 9 – CONCENTRATIONS

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

NOTE 10 – INSURANCE

The Highland County Community Improvement Corporation maintains property insurance through a private insurance carrier. There has been no significant change in coverage in the past three years. There has been no claims that canceled coverage in the past three years.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

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, 2008, 2007 and 2006, and the related statement of activities and cash flows and have issued our report thereon dated August 14, 2009. 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.

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 auditing procedures for the purpose of expressing our opinion on the financial statements but, not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the Corporation's basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted a certain other matter not requiring inclusion in this report that we reported to the management of the Corporation in a separate letter dated August 14, 2009.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 did not disclose an instance of noncompliance that is required to be reported under *Government Auditing Standards.*

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the management of the Corporation in a separate letter dated August 14, 2009.

This report is intended for the information and use of management and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2009

HIGHLAND COUNTY COMMUNITY IMPROVEMENT CORPORATION

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Noncompliance Citation/Material Weakness – Ohio Rev. Section 1724.05	Yes	

Mary Taylor, CPA
Auditor of State

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
NOVEMBER 5, 2009

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