



**CIRCLEVILLE-PICKAWAY COMMUNITY
IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2012-2011



Dave Yost • Auditor of State

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT COPROATION
PICKAWAY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Circleville-Pickaway Community Improvement Corporation
Pickaway County
114 West Franklin Street, P.O. Box 506
Circleville, Ohio 43113

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the CIC), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the CIC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CIC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the CIC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio, as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013, on our consideration of the CIC'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CIC's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 17, 2013

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 134,703	\$ 89,210
Certificate of deposit	97,082	96,374
Notes receivable	4,248	4,248
Accounts receivable	15,608	8,694
TOTAL CURRENT ASSETS	251,641	198,526
PROPERTY AND EQUIPMENT		
Land	255,000	255,000
Leasehold improvements	23,658	23,658
Computer equipment	8,940	8,940
Office furniture	5,152	5,152
Speculative green building	1,000,000	1,000,000
	1,292,750	1,292,750
Accumulated depreciation	(95,871)	(68,265)
NET PROPERTY AND EQUIPMENT	1,196,879	1,224,485
OTHER ASSETS		
Investments	17,732	16,178
Notes receivable	2,486	7,088
TOTAL OTHER ASSETS	20,218	23,266
TOTAL ASSETS	\$ 1,468,738	\$ 1,446,277
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Prepaid rent	\$ 3,000	\$ -
Accounts payable	1,463	10,397
Mortgage note payable	22,265	18,000
Security deposits held	3,000	3,000
Accrued payroll and related taxes	561	161
TOTAL CURRENT LIABILITIES	30,289	31,558
LONG TERM LIABILITIES		
Mortgage note payable	434,235	456,500
TOTAL LIABILITIES	464,524	488,058
NET ASSETS		
Unrestricted	1,002,272	956,327
Temporarily restricted	1,942	1,892
TOTAL NET ASSETS	1,004,214	958,219
TOTAL LIABILITIES AND NET ASSETS	\$ 1,468,738	\$ 1,446,277

See Accompanying Notes to the Basic Financial Statements

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

STATEMENTS OF ACTIVITIES AND NET ASSETS

FOT THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants	\$ 13,325	\$ -	\$ 13,325
Contributions	211,741		211,741
Interest income	1,121		1,121
Investment income	1,318		1,318
In-kind contributions	2,704		2,704
Reimbursements	4,321		4,321
Rent income	18,050	18,050	36,100
Net assets released from restrictions	18,000	(18,000)	-
TOTAL SUPPORT AND REVENUE	270,580	50	270,630
EXPENSES:			
Personnel costs	129,884		129,884
Dues and subscriptions	13,035		13,035
Supplies	4,484		4,484
Telephone	1,986		1,986
Meetings	3,693		3,693
Professional fees	4,962		4,962
Marketing	3,187		3,187
Utilities	2,639		2,639
Depreciation	27,606		27,606
Liability insurance	1,490		1,490
Equipment rental	2,452		2,452
Travel and entertainment	2,360		2,360
Repairs and maintenance	52		52
Janitorial	825		825
Green building expense	19,313		19,313
Payroll processing fees	2,502		2,502
Bad debts	2,300		2,300
Miscellaneous	1,865	-	1,865
TOTAL EXPENSES	224,635	-	224,635
INCREASE IN NET ASSETS	45,945	50	45,995
Net assets, beginning of year	956,327	1,892	958,219
Net assets, end of year	\$ 1,002,272	\$ 1,942	\$ 1,004,214

See Accompanying Notes to the Basic Financial Statements

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

STATEMENTS OF ACTIVITIES AND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants	\$ 1,900	\$ -	\$ 1,900
Contributions	211,713		211,713
Interest income	1,838		1,838
Investment income	555		555
In-kind contributions	3,645		3,645
Reimbursements	3,869		3,869
Rent income	18,000	18,000	36,000
Net assets released from restrictions	18,000	(18,000)	-
TOTAL SUPPORT AND REVENUE	259,520	-	259,520
EXPENSES:			
Personnel costs	114,847		114,847
Dues and subscriptions	12,807		12,807
Supplies	3,205		3,205
Telephone	1,663		1,663
Meetings	2,768		2,768
Professional fees	33,212		33,212
Marketing	52,161		52,161
Utilities	2,584		2,584
Depreciation	27,606		27,606
Liability insurance	1,840		1,840
Equipment rental	3,325		3,325
Travel and entertainment	2,637		2,637
Repairs and maintenance	52		52
Janitorial	996		996
Green building expense	26,271		26,271
Payroll processing fees	2,264		2,264
Bad debts	1,500		1,500
Miscellaneous	56	-	56
TOTAL EXPENSES	289,794	-	289,794
DECREASE IN NET ASSETS	(30,274)	-	(30,274)
Net assets, beginning of year (restated)	986,601	1,892	988,493
Net assets, end of year	\$ 956,327	\$ 1,892	\$ 958,219

See Accompanying Notes to the Basic Financial Statements

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 45,995	\$ (30,274)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	27,606	27,606
Unrealized gain in value of investments	(1,318)	(555)
Changes in assets and liabilities:		
Accounts receivable	(6,914)	(1,394)
Notes receivable	4,602	4,248
Accounts payable	(8,934)	(25,475)
Prepaid rent	3,000	-
Security deposits held	-	-
Accrued payroll and related taxes	400	(2,066)
Net cash provided (used) by operating activities	64,437	(27,910)
 CASH FLOW FROM INVESTING ACTIVITIES		
Interest reinvested in certificates of deposit and investments	(944)	(1,687)
Net cash used by investing activities	(944)	(1,687)
 CASH FLOW FROM FINANCING ACTIVITIES		
Payments on mortgage note payable	(18,000)	(18,000)
Net cash used by financing activities	(18,000)	(18,000)
Net increase (decrease) in cash and cash equivalents	45,493	(47,597)
Cash and cash equivalents at beginning of year	89,210	136,807
Cash and cash equivalents at end of year	\$ 134,703	\$ 89,210

See Accompanying Notes to the Basic Financial Statements

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

ORGANIZATION AND NATURE OF ACTIVITIES

The Circleville-Pickaway Community Improvement Corporation (the CIC), doing business as the Pickaway Progress Partnership (P³) is the economic development agent for Pickaway County and its municipalities. P³ has three main objectives: promote and market the advantages of locating business in the County; promote a stronger business environment by facilitating retention and expansion efforts of local employers; and deliver a seamless network of economic development services and value-added programs to existing businesses, local government, and prospective companies throughout Pickaway County. P³ is a non-profit corporation with a board of directors comprised of leaders from the public and private sectors. P³ receives its funding from a variety of investors in the public and private sectors.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The CIC's policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. However, the CIC does have a departure from accounting principles generally accepted in the United States of America disclosed in the report and the footnote entitled "PLEDGES RECEIVABLE". The effect of this departure is not material to the financial statements.

In accordance with accounting principles generally accepted in the United States of America, the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the CIC and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions. This includes amounts from some funding sources that require the funds to be spent on activities within the scope of the CIC.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met, either by the activities of the CIC or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the CIC. P³ has no permanently restricted net assets.

Income Taxes - The CIC is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The CIC complies with ASC 740-10 related to uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Management is not aware of any tax positions taken by the CIC on its tax returns that they consider to be uncertain or that will jeopardize its tax exempt status. Tax returns for the years ended 2009, 2010 and 2011 are open and subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents - Short-term, highly liquid investments that are readily convertible to known amounts of cash, including money market accounts, and have original maturities of three months or less are considered to be cash equivalents.

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable - Accounts receivable represents that portion of pledges due from contributors for that year that were not paid at year end. Management considers economic conditions affecting its donors as well as their historical performance in determining whether or not an allowance for doubtful accounts is necessary. Based on this assessment management believes all amounts recorded are fully collectible. As noted in the PLEDGES RECEIVABLE footnote, the CIC does not record the amount of pledges due to be received in future years.

Property and Equipment - All significant expenditures for property and equipment, including renewals and betterments that significantly extend the assets life, are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, principally 7 years for furniture and equipment, and 39 years for buildings and leasehold improvements. Expenditures for repair and maintenance are expensed as incurred. Donated property and equipment is recorded at fair value at the time of donation if the fair value can be reasonably determined.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. An impairment loss would be recognized in operations for the amount that the carrying value of an asset or asset group exceeds its fair value determined using applicable accounting standards. No impairments have been recorded in either year presented.

Revenue and Expense Recognition - Revenues are recorded in the period for which they are awarded based upon signed contracts or, in the case of pledges, in the period the current year portion of the pledge becomes due. In the absence of a signed contract, revenues are recorded when earned or when the cash is received. Revenues received for specific purposes are used in accordance with applicable restrictions. Expenses are included in operations in the period they are incurred.

Contributed Services and Materials - Unpaid volunteers have made significant contributions of their time in the furtherance of the CIC's programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Contributed materials, if significant, are recorded in the statement of activities at fair value if readily determinable.

During the years ended December 31, 2012 and 2011, Pickaway County and other organizations made in-kind contributions in the form of office space, professional services, clerical support, materials and supplies and other services. In the event that these contributions could be reasonably valued and quantified, they were recorded in the statement of activities as "In-kind contributions" with offsetting expenses.

Statement of Cash Flows - Cash and cash equivalents in the statement of cash flows includes restricted cash. There were no cash payments for interest or income taxes during the years ended December 31, 2012 and 2011.

The statement of cash flows includes noncash transactions in the form of in-kind contributions and services in the amount of \$2,704 (\$3,645 in 2011). The amount recorded as contributions was offset by expenses of the same amount. There were no contributions of property and equipment in 2012 or 2011.

Concentration of Credit Risk - The CIC's cash balances in financial institutions at times throughout the year may exceed federally insured limits. No losses in such accounts have been experienced and, as a result, management believes it is not exposed to any significant credit risk related to its cash deposits.

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Concentration of Credit Risk - Continued - The CIC receives some of its support from individuals and businesses operating in Pickaway County. Continued support is somewhat dependent upon economic conditions in that geographic area.

Use of Estimates - The preparation of the 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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

PLEDGES RECEIVABLE

Pledges receivable represents that portion of pledges which have been invoiced but are unpaid at year end. They are recorded as accounts receivable on the balance sheet. Management considers economic conditions affecting its donors as well as their historical performance in determining whether or not an allowance for doubtful accounts is necessary. Based on this assessment management believes all amounts recorded are fully collectible.

During 2006, the CIC solicited contributions to be received over a period of time through a formal fund-raising campaign. Accounting principles generally accepted in the United States of America requires nonprofit organizations to record these "promises to give" as receivables and revenue at their net realizable value when certain conditions are met, depending on whether they are conditional, unconditional and the period of time involved. Management has not determined the net realizable value of these pledges, instead the CIC records revenues and receivables annually when an invoice is sent to the donor.

MORTGAGE NOTE PAYABLE

In May of 2008, the CIC secured a mortgage note from the State of Ohio through the Department of Development. The loan was for the purpose of constructing a "green" commercial building near Ashville, Ohio. The loan term is 15 years and requires no payments for years one through five, unless the building is sold or leased. If leased during that period, P³ is required to pay 50% of the lease proceeds to the State, which will be applied to the outstanding balance of the mortgage note. During years six through fifteen, interest will accrue at an annual rate of 3% plus a service fee of .25%.

In the sixth year of the term, 50% of the initial loan principal will be forgiven unless the building is sold at any time during the loan term. If sold at any time during the term of the loan, \$500,000 will be immediately due and payable to the State of Ohio and will reduce the outstanding loan balance. Beginning in year six (July 1, 2013), the outstanding principal balance will be amortized and paid over the 120 months remaining (years six through fifteen) at the rate stated in the previous paragraph. Loan payments, including interest, commence on August 1, 2013 and will approximate \$4,460 during 2013 and will decrease over time. Regardless of any events, the maximum amount for repayment is \$500,000.

The loan will be secured by a first mortgage on the land and building. In addition, in the event that P³ is unable to meet the monthly mortgage obligation, the Village of Ashville will provide a guarantee of up to \$20,000 annually and Pickaway County will guarantee any remaining unpaid balance.

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

MORTGAGE NOTE PAYABLE - Continued

Principal payments required for the years subsequent to December 31, 2012 are as follows:

2013	\$ 22,265
2014	39,873
2015	41,086
2016	42,336
2017	43,624
2018 and after	267,316

During 2010 the CIC commenced leases with two tenants. As required by the mortgage note, for both 2012 and 2011 the CIC remitted \$18,000 to the State of Ohio, which is approximately one-half of the rental revenue of \$36,100 received.

LEASE AGREEMENTS

During 2011, the CIC entered into leases with two unrelated parties to lease space in the building. Both leases are for a term of 4 years, one beginning June 1, 2011 and one beginning July 1, 2011. The first tenant pays \$1,000 per month plus a charge for maintenance. The second tenant pays \$2,000 per month plus a charge for maintenance. Even though the lease agreement for the second tenant begins July 1, 2011, the tenant did not move in and begin paying rent until September 1, 2011. As a result, it is anticipated that the term of the lease expires August 31, 2015.

The second tenant has an option to purchase the building for \$650,000 at any time during the lease period and also has the right of first refusal. If exercised, 65% of the lease payments made will be used to offset the purchase price. Expected rent revenue related to these leases for the periods subsequent to December 31, 2012 are as follows:

2013	\$ 36,000
2014	36,000
2015	21,000

Prior to the second tenant moving in, the CIC made improvements totaling \$34,000 to the building. The tenant paid for half of those improvements at the beginning of the lease period and is paying the remainder of the balance over the term of the lease (\$354 per month). No interest is charged on this loan and management believes the amount of any imputed interest would not be significant.

The CIC entered into a lease for the use of office equipment, which is classified as an operating lease. Lease expense charged to operations during 2012 and 2011 was \$2,452 each year. Required minimum lease payments for the years subsequent to December 31, 2012 are \$613 for 2013. The lease expired in March 2013 at which time the CIC purchased the equipment.

RETIREMENT PLAN

The CIC sponsors a qualified defined contribution retirement plan for its employees. Contributions made to the plan and recorded in the statement of activities for 2012, were \$8,210 (\$10,126 for 2011).

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

RESTATEMENT OF NET ASSETS/INVESTMENTS

The CIC has restated its beginning net assets as of January 1, 2011 for investments maintained by a third party on their behalf. The fund was established in 2006 with an initial contribution of \$10,000. Current management became aware of the investment in 2012 and has restated its 2011 financial statements to include the investment on its statement of financial position and the income related to the investment in its statement of activities and net assets. Net assets at the beginning of 2011 was increased by \$15,623 to reflect the cumulative adjustment for the investment contribution and related income through December 31, 2010 and investment income of \$555 was recorded to reflect the increase in the fair value of the investment during 2011:

	Unrestricted Net Assets
December 31, 2010	\$ 970,978
Investments Held on Behalf of CIC by Third Party, Not Previously Reported	15,623
Net Assets, Restated January 1, 2011	\$ 986,601

The investments represent an endowment fund held for the CIC at the Pickaway County Community Foundation and managed by the Columbus Foundation. The fund maintains a balanced portfolio with an equity exposure of 30-60%. The investments are presented on the statements of financial position at fair value on the year end date. Investment income, gains and losses are reported in the statement of activities and nets assets.

FAIR VALUE MEASUREMENTS

The CIC complies with FASB ASC 820 *Fair Value Measurements and Disclosures* to account for and report fair value. ASC 820 provides a single definition of fair value, a framework for measuring fair value and expanded disclosures concerning fair value. The standard defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair values of certain assets are determined based on the fair value hierarchy established in this standard, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The standard describes three levels within its hierarchy that may be used to measure fair value which are:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
PICKAWAY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

FAIR VALUE MEASUREMENTS - Continued

Level 3 - Values are generated from unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. These unobservable inputs would reflect management's estimates of assumptions that market participants would use in pricing related assets or liabilities. Valuation techniques might include the use of pricing models, discounted cash flow models or similar techniques.

The following table presents the assets and liabilities included in the balance sheet that are carried at fair value measured on a recurring basis and indicates the level within the fair value hierarchy utilized to determine such value:

	<u>Fair Value</u>	<u>Fair Value Measurements using:</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2012				
Investments	\$ 17,732	\$ -	\$ 17,732	\$ -
December 31, 2011				
Investments	\$ 16,178	\$ -	\$ 16,178	\$ -

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments are maintained in a balanced fund by a third party. The majority of the securities in the fund are publicly traded and the fair value is determined using the closing prices or net asset values of the underlying securities as of December 31, 2012 and 2011. As a result, these items are listed as Level 2.

The carrying value of financial instruments classified as current assets and current liabilities, approximate fair value due to the short-term maturity of the instruments.



Dave Yost • Auditor of State

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

Circleville-Pickaway Community Improvement Corporation
Pickaway County
114 West Franklin Street, P.O. Box 506
Circleville, Ohio 43113

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the CIC) as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the CIC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the CIC's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the CIC's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the CIC'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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the CIC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the CIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 17, 2013



Dave Yost • Auditor of State

CIRCLEVILLE-PICKAWAY CIC

PICKAWAY 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
OCTOBER 15, 2013**