



Dave Yost • Auditor of State

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Improvement Corporation, Morgan County, Ohio (the Organization) (a not-for-profit corporation), which comprise the statements of financial position, the related statements of activities and cash flows, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements.

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.

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 those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Organization'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 Organization'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 Community Improvement Corporation, Morgan County, Ohio, as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years 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 January 14, 2016, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

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

January 14, 2016

MORGAN COUNTY IMPROVEMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 223,928	\$ 148,772
Note Receivable - MetalAxis	194,205	206,025
Total Current Assets	418,133	354,797
Property and Equipment		
Buildings	15,275,000	8,275,000
Land	368,660	368,660
	15,643,660	8,643,660
Less: Accumulated Depreciation	(1,528,205)	(1,316,026)
Net Property and Equipment	14,115,455	7,327,634
TOTAL ASSETS	14,533,588	7,682,431
LIABILITIES AND NET POSITION		
Current Liabilities		
Current Portion of Long-Term Debt	757,500	350,393
Long-Term Liabilities		
Note Payable - Ohio Dept of Development 148-01-01	3,104,069	3,378,464
Note Payable - Ohio Dept of Development 148-02-01	847,731	923,729
Note Payable - Ohio Dept of Development 706-01-01	2,000,000	-
Note Payable - Chase	4,861,111	-
Less: Current Portion of Long-Term Debt	(757,500)	(350,393)
Total Long-Term Liabilities	10,055,411	3,951,800
TOTAL LIABILITIES	10,812,911	4,302,193
NET POSITION		
Unrestricted Net Position	3,720,677	3,380,238
Total Net Position	3,720,677	3,380,238
TOTAL LIABILITIES AND NET POSITION	\$ 14,533,588	\$ 7,682,431

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

MORGAN COUNTY IMPROVEMENT CORPORATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Rental Income	\$ 742,143	\$ 432,473
Interest Income	12,922	374
Miscellaneous Income	5,800	-
Total Revenues	760,865	432,847
EXPENSES		
Advertising	722	170
Bank Charges	59	-
Depreciation	212,180	212,179
Directors Fees	40,000	40,000
Donations to Other Organizations	-	842
Dues & Subscriptions	-	50
Filing Fees	1,700	-
Insurance	6,426	2,445
Interest	129,172	44,914
Loan Service Fees	12,670	8,380
Meetings/Meals	303	-
Office Supplies	1,066	-
Professional Fees	13,645	3,139
Safe Deposit Box Rental	-	80
Taxes	2,483	2,728
Total Expenses	420,426	314,927
Net Income	340,439	117,920
NET POSITION - BEGINNING OF YEAR	3,380,238	3,262,318
NET POSITION - END OF YEAR	\$ 3,720,677	\$ 3,380,238

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

MORGAN COUNTY IMPROVEMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in Net Position	\$ 340,439	\$ 117,920
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	212,180	212,179
(Increase) Decrease in Prepaid Expenses	-	10,000
Total adjustments	212,180	222,179
Net Cash Provided (Used) by Operating Activities	552,619	340,099
Cash Flows from Investing Activities		
Cash paid for Sinter Building Addition	(7,000,000)	
Cash Received on Note Receivable - Metal Axis	11,820	-
Cash Issued on Note Receivable - Metal Axis	-	(200,000)
Net Cash Provided (Used) by Investing Activities	(6,988,180)	(200,000)
Cash Flows Used by Financing Activities		
Cash Borrowed on Notes Payable	7,000,000	
Principals payments on Notes Payable	(489,283)	(348,854)
Net Cash Provided (Used) by Financing Activities	6,510,717	(348,854)
Net Increase (Decrease) in Cash	75,156	(208,755)
Cash - Beginning of Year	148,772	357,527
Cash - End of Year	\$ 223,928	\$ 148,772

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

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MORGAN COUNTY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Morgan County Improvement Corporation (the Organization) is a non-profit organization, exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Its purpose is to advance, encourage, and promote the industrial, economic, commercial, and civic development of the County of Morgan, and the municipal corporations located therein by acting as the designated agency of the County of Morgan, one or more municipal corporations located therein, or the County of Morgan and one or more municipal corporations located therein, for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10, Revised Code.

To provide real property for an industrial building being financed in part by loans and grants from the State of Ohio. The Corporation shall have the right to raise money and expend funds for community projections in Morgan County, Ohio.

MCIC Sinter Property has been identified as a blended component unit of Morgan County Improvement Corporation as they have similar missions, boards of directors and recordkeeping. The two entities have been reported as one on the face of the financial statements and all inter-agency transactions are reported in Note D.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. As of December 31, 2014, there were no impairment losses recognized for long-lived assets.

Property and Equipment

The Organization capitalizes expenditures for property and equipment which extend the originally estimated useful lives of the assets capitalized. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Buildings are depreciated using the straight-line method over estimated useful lives of 39 years.

Contributed Services

Contributed services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

MORGAN COUNTY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a)(c).

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014 through 2012 are subject to examination by the IRS, generally for three years after they are filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position.

Unrestricted net position represent revenues and expenses related to the operation and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contribution that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net position represents resources available for use, but expendable only for the purposes specifically stated by the donor. As of December 31, 2014 and 2013, the Organization had no temporarily restricted net position.

Permanently restricted net position are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2014 and 2013, the Organization had no permanently restricted net position.

Date of Management's Review

Subsequent events have been evaluated through the date of this report.

NOTE B—CONCENTRATION OF CREDIT RISK

The Organization may, from time to time, maintain cash balances that are not covered by insurance provided by the federal government (FDIC). Management understands the risks, but the solvency of the financial institution is not of particular concern at this time.

NOTE C—CONTINGENCIES

The Organization receives all of its rental income from two sources, MIBA Bearings and MIBA Sinter USA, LLC. The amount received from these organizations was \$742,143 and \$432,473 for the years ended December 31, 2014 and 2013.

MORGAN COUNTY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE D—RELATED PARTY TRANSACTIONS

The Organization has a blended component unit which they share a Board of Directors, Executive Director, and purpose with, MCIC Sinter Property. The Organization transferred a parcel of land, and a building to this related party during 2013. The cost of the building was \$5,250,000 with accumulated depreciation of \$661,858, giving it a net book value of \$4,588,142. The parcel of land had a cost of \$163,300. They also agreed to have a Note Payable – MCIC Sinter Property in the amount of \$3,378,464. The remaining difference of \$1,372,978 was considered a contribution from Morgan County Improvement Corporation to MCIC Sinter Property.

As mentioned above, all blended component unit transactions have been removed from the face of the financial statements and are only mentioned above in the footnote as the transactions would have no net effect on the financial statements.

The Board of Directors includes one member from MIBA Bearings, the sole tenant of lease with the Organization.

NOTE E—NOTES RECEIVABLE

At December 31, 2014 and 2013, the Organization had a Note Receivable-MetalAxis with an interest rate of 3%. The note is payable in variable annual installments. A \$24,000.00 payment was made in 2014, \$48,000.00 payments for 2015-2018, \$1,300.00 payment in 2019, \$1,250.00 payment for 2020-2028, and a final payment of \$378.00 in 2029. The collateral of this loan is the building that was constructed by MIBA with these loan proceeds for MetalAxis.

NOTE F—DESCRIPTION OF LEASING ARRANGEMENTS

The Organization leases property to MIBA Bearings in an operating lease. The building has a cost of \$2,775,000, accumulated depreciation of \$699,681, leaving a net book value of \$2,075,319.

MIBA Bearings is currently in a 15 year lease for \$360,000 per year through August 2025. The lease will then be reduced to \$5,000 per month through January 2029.

MCIC Sinter Property leases property to MIBA Sinter USA, LLC in an operating lease. The building has a cost of \$12,250,000, accumulated depreciation of \$796,474, leaving a net book value of \$11,453,526. They are also going to leasing a new building that is included in buildings that was completed near the end of the year with a cost of \$7,000,000.

MIBA Sinter USA, LLC is currently in a 15 year lease for \$10,033 per month through April 2015, \$13,740.68 per month through August 2023, \$11,740.68 per month through March 2025, \$1,740.68 per month through August 2025, and finally \$5,000 per month through January 2029.

MORGAN COUNTY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE F—DESCRIPTION OF LEASING ARRANGEMENTS (CONTINUED)

At December 31, 2014, minimum rental payments due under the abovementioned leases are as follows:

Year Ending	
2015	\$ 510,057
2016	524,888
2017	524,888
2018	524,888
2019	524,888

NOTE G—NOTES PAYABLE

Notes payable at December 31, 2014 and 2013 consists of the following:

	2014	2013
Note payable – Ohio Dept. of Development 148-01-01 is payable in monthly installments including interest at 1.00% for 2013 and the first nine months of 2014, and 3.00% for the remainder of 2014. The loan payoff is March 2025. This note is collateralized by all business assets.	\$ 3,104,069	\$ 3,378,464
Note payable – Ohio Dept. of Development 148-02-01 is payable in monthly installments including interest at 1.00%. The loan payoff is August 2025. This note is collateralized by all business assets.	847,731	923,729
Note payable – Ohio Dept. of Development 706-01-01 is payable in monthly installments including interest only at 1.00% through March 2015, principal and interest at 1.00% through March of 2019, principal and interest at 2.00% through March 2024, and principal and interest at 3.00% through February 2029. This note is collateralized by the building shown in construction in progress on the financial statements.	2,000,000	—
Note payable – Chase is payable in monthly installments including interest at 175 basis points over LIBOR. The loan payments are based on a 15 year amortization with 66 monthly payments and a balloon payment due at the end of the 66 th month. The loan payoff is January 2020. This note is collateralized by the building shown in construction in progress on the financial statements.	4,861,111	—
Total Debt	10,812,911	4,302,193
Less current maturities	757,500	350,393
Net long-term debt	\$ 10,055,411	\$ 3,951,800

MORGAN COUNTY IMPROVEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE G—NOTES PAYABLE (CONTINUED)

Future maturities of the long-term notes payable are as follows:

Year Ending December 31,	Amount
2015	\$ 757,500
2016	814,935
2017	827,721
2018	840,897
2019	849,152
Thereafter	6,722,706
	\$ 10,812,911

NOTE H—SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT

During the years ended December 31, 2014 and 2013, cash payments for interest and income taxes were as follows:

	2014	2013
Interest Paid	\$ 129,172	\$ 44,914
Taxes Paid	\$ —	\$ —

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INDEPENDENT AUDITOR'S 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:

To the Board of Trustees:

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 Community Improvement Corporation, Morgan County, Ohio (the Organization), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Organization'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 Organization'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 Organization'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 Organization'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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2014-001 and 2014-002.

Entity's Response to Findings

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

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 Organization's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Organization'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

January 14, 2016

**COMMUNITY IMPROVEMENT CORPORATION
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 2921.42(A)(2) provides that no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure the investment of public funds in any share, bond, mortgage, or other security, with respect to which the public official, a member of the public official's family, or any of the public official's business associates either has an interest, is an underwriter, or receives any brokerage, origination, or servicing fees.

The Organization transferred a parcel of land and a building to MCIC Sinter Property, a related party, during 2013. The Organization and MCIC Sinter Properties share common by-laws and Directors. The cost of the building transferred was \$5,250,000 with accumulated depreciation of \$661,858, resulting in a net book value of \$4,588,142. The parcel of land had a cost of \$163,300. MCIC Sinter Property agreed to issue a note in the amount of \$3,378,464 payable to the Organization. The remaining difference of \$1,372,978 was considered a contribution from Organization to MCIC Sinter Property. Additionally, the Organization had a zero-percent interest note receivable with MCIC Sinter Property.

Contracts between related parties that afford one or both of the parties unreasonably favorable financial outcomes as compared to the outcome that would have resulted had the transactions been arms-length may violate Ohio Rev. Code § 2921.42(A)(2). We will refer this matter to the Ohio Ethics Commission.

The Organization should ensure contract terms with all related parties are comparable, in fact and appearance, to an arms-length contract with an unrelated party.

Officials' Response: We are aware of the findings by the State Auditor's office. We will be following up with the Ohio Ethics Commission.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 117.38 provides that GAAP-basis entities must file annual reports with the Auditor of State within 150 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The 2013 or 2014 annual reports were not filed with the Auditor of State as of this report date. To avoid fines and penalties, the Fiscal Officer should file the annual financial report within 150 days of the fiscal year-end.

Officials' Response: We will file accordingly and on time next year.

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Dave Yost • Auditor of State

MORGAN COUNTY IMPROVEMENT DISTRICT

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
JANUARY 26, 2016**