



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008-2007



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the CIC), as of and for the years ended December 31, 2008 and December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the CIC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008 and 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 1, 2009

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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 732,003	\$ 101,117
Certificate of deposit	88,024	83,961
Pledges receivable	30,113	21,600
TOTAL CURRENT ASSETS	850,140	206,678
PROPERTY AND EQUIPMENT		
Leasehold improvements	23,658	23,658
Computer equipment	8,342	5,346
Office furniture	5,152	5,152
	37,152	34,156
Accumulated Depreciation	(3,200)	(1,012)
NET PROPERTY AND EQUIPMENT	33,952	33,144
OTHER ASSETS		
Land and Building Held for Resale	705,954	0
TOTAL OTHER ASSETS	705,954	0
TOTAL ASSETS	\$ 1,590,046	\$ 239,822
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,539	\$ 74,280
Contracts Payable	58,757	-
Accrued payroll and related taxes	5,900	3,058
TOTAL CURRENT LIABILITIES	67,196	77,338
LONG TERM LIABILITIES		
Mortgage Note Payable	500,000	-
TOTAL LIABILITIES	567,196	77,338
NET ASSETS		
Unrestricted	908,408	162,484
Temporarily Restricted	114,442	-
TOTAL NET ASSETS	1,022,850	162,484
TOTAL LIABILITIES AND NET ASSETS	\$ 1,590,046	\$ 239,822

See Accompanying Notes to the Basic Financial Statements

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants	\$ 3,683	\$ 500,000	\$ 503,683
Contributions	292,600	-	292,600
Interest income	13,262	-	13,262
In-kind contributions	264,750	-	264,750
Miscellaneous income	1,348	-	1,348
Net Assets Released From Restrictions	<u>385,558</u>	<u>(385,558)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>961,201</u>	<u>114,442</u>	<u>1,075,643</u>
EXPENSES:			
Personnel costs	131,762		131,762
Dues and subscriptions	14,452		14,452
Supplies	3,810		3,810
Telephone	3,022		3,022
Meetings	4,970		4,970
Professional fees	1,325		1,325
Marketing	13,340		13,340
Utilities	2,203		2,203
Depreciation	2,188		2,188
Liability insurance	2,090		2,090
Service/finance charges	63		63
Equipment rental	2,885		2,885
Office furnishings	676		676
Program expense	350		350
Travel and entertainment	7,073		7,073
Repairs and maintenance	2,544		2,544
Green building expense	16,251		16,251
Payroll processing fees	4,581		4,581
Miscellaneous	1,692		1,692
TOTAL EXPENSES	<u>215,277</u>	<u>-</u>	<u>215,277</u>
INCREASE IN NET ASSETS	745,924	114,442	860,366
Net assets, beginning of year	<u>162,484</u>	<u>-</u>	<u>162,484</u>
Net assets, end of year	<u>\$ 908,408</u>	<u>\$ 114,442</u>	<u>\$ 1,022,850</u>

See Accompanying Notes to the Basic Financial Statements

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>
SUPPORT AND REVENUE:	
Contributions	\$ 218,901
Interest income	7,727
In-kind contributions	17,181
Miscellaneous income	63
TOTAL SUPPORT AND REVENUE	<u>243,872</u>
EXPENSES:	
Personnel costs	107,765
Dues and subscriptions	14,373
Supplies	4,520
Telephone	1,829
Meetings	4,330
Professional fees	14,224
Marketing	82,916
Utilities	978
Depreciation	1,012
Liability insurance	1,140
Service/finance charges	128
Equipment rental	303
Office furnishings	1,487
Program expense	500
Travel and entertainment	10,575
Repairs and maintenance	-
Green building expense	-
Payroll processing fees	-
Miscellaneous	1,329
TOTAL EXPENSES	<u>247,409</u>
INCREASE IN NET ASSETS	(3,537)
Net assets, beginning of year	<u>166,021</u>
Net assets, end of year	<u>\$ 162,484</u>

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 860,366	\$ (3,537)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	2,188	1,012
Changes in assets and liabilities:		
Pledges receivable	(8,513)	17,113
Accounts payable	(71,741)	33,544
Contracts Payable	58,757	-
Accrued payroll and related taxes	2,842	3,058
Net cash provided by operating activities	<u>843,899</u>	<u>51,190</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of certificates of deposits	85,989	79,357
Cash invested in certificates of deposits	(85,989)	(80,707)
Interest reinvested in certificates of deposits	(4,063)	(3,254)
Non-Cash Donations	(255,000)	(5,000)
Cash purchases of property and equipment	(453,950)	(29,156)
Net cash provided by investing activities	<u>(713,013)</u>	<u>(38,760)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	500,000	-
Net cash provided by financing activities	<u>500,000</u>	<u>-</u>
Net increase in cash and cash equivalents	630,886	12,430
Cash and cash equivalents at beginning of year	<u>101,117</u>	<u>88,687</u>
Cash and cash equivalents at end of year	<u>\$ 732,003</u>	<u>\$ 101,117</u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, contrary to generally accepted accounting principles (GAAP) the CIC does not accrue multi-year pledges at the time the commitment is made, rather the CIC accrues receivables and revenue annually when invoices are sent to donors. The effect of this departure from GAAP is not material to the financial statements. Pledges Receivable represents that portion of pledges which have been invoiced but are unpaid 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.

Net Assets - The CIC has adopted Statement of Financial Accounting Standards (SFAS) No. 117. Accordingly 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. Net assets of Circleville-Pickaway Community Improvement Corporation and changes therein are classified and reported as follows (the CIC currently has no permanently restricted net assets):

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.

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, 2008 AND 2007
(Continued)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment - All significant expenditures for property and equipment, including renewals and betterments, 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. Donated property and equipment is recorded at fair value at the time of donation if the fair value can be reasonably determined.

Revenue and Expense Recognition - Revenues are recorded in the period for which they are awarded based upon signed contracts. In the absence of a signed contract, revenues are recorded 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 the fair market value if readily determinable.

During the years ended December 31, 2008 and 2007, 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. During 2008, land with a value of \$255,000 was donated to P³ for the purpose of constructing an environmentally friendly commercial building.

Statement of Cash Flows - There were no cash payments for interest or income taxes during the years ended December 31, 2008 and 2007.

The statement of cash flows includes noncash transactions in the form of in-kind contributions and services in the amount of \$9,750 (\$12,181 in 2007). The amount recorded as contributions was offset by expenses of the same amount. Contributions of property and equipment of \$255,000 and \$5,000 were received and capitalized during 2008 and 2007, respectively in noncash transactions.

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.

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. In addition, the CIC received a significant amount of its funding during 2008 from government grants for a specific purpose and most likely they are nonrecurring. However, management does not expect the lack of the grants in the future to impair the CIC's ability to continue its operations.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles 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.

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

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

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 2008, were \$9,434 (\$8,100 for 2007).

PLEDGES RECEIVABLE

During 2006, the CIC solicited contributions to be received over a period of time through a formal fund raising campaign. Generally accepted accounting principles 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 rather the CIC accrues receivables and revenue annually when invoices are sent to donor.

MORTGAGE NOTE PAYABLE

In May of 2008, the CIC secured a mortgage note from the State of Ohio through the Director of Development. The loan is 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%.

At the beginning of 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, 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. 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. As of December 31, 2008, construction on the building was not completed and there were no tenants.

RENTAL AGREEMENTS

In March 2008, the CIC entered into a lease for office equipment, which is classified as an operating lease. Lease expense charged to operations during 2008 was \$2,040. Required minimum lease payments for the years subsequent to December 31, 2008 are as follows:

2009		\$2,448
2010		2,448
2011		2,448
2012		2,448
2013		408
		<u>\$10,200</u>

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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*

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

To the Board of Directors:

We have audited the financial statements of the Circleville-Pickaway Community Improvement Corporation, Pickaway County, Ohio (the CIC) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 1, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CIC's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the CIC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the CIC'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 CIC'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 CIC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 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 CIC'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 finding number 2008-001 is also a material weakness.

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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or another matter that we reported to the CIC's management in a separate letter dated December 1, 2009.

The CIC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the CIC's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 1, 2009

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Financial Statement Adjustments – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the December 31, 2008 financial statements and, where applicable, the accounting records:

1. Adjustments to the Statement of Cash Flows to decrease Increase in Net Assets by \$500,000 to agree to the Statement of Activities; and to increase cash flows from financing activities by \$500,000 to disclose the full amount of loan proceeds.
2. Entry of \$614,442 to reduce Restricted Cash to increase Cash and Cash Equivalents; although this amount is comprised of unspent loan proceeds, no portion of net assets is restricted and accordingly the related asset should not be disclosed as restricted.
3. Audit adjustment to increase construction-related expenditures and contracts payable liability by \$58,757 for expenditures incurred but not yet paid at year-end.
4. Audit adjustment to decrease the Mortgage Note Payable and increase Grant Revenue – Temporarily Restricted by \$500,000 to properly disclose the balance of the mortgage note and to recognize the grant revenue.

The following audit adjustment was made to the December 31, 2007 financial statements and accounting records:

1. Audit adjustment to increase Marketing expenditures and Accounts Payable liability by \$69,689 for expenditures incurred but not yet paid at year-end.

Although the CIC has implemented various controls over financial reporting, the need to issue audit adjustments and reclassifications suggests controls may not be effective or may not be operating as management intended.

We recommend the CIC analyze controls currently in place over financial reporting and determine the controls are functioning as intended and are adequate to reduce the risk of reporting incomplete or inaccurate financial information within the financial statements.

Officials' Response:

Management understands the value of accurate financial reporting per the most recent audit. We have implemented internal controls to review financial statements and have discussed this at length with our outside accounting firm. We will address these findings in future financial statements to ensure that they do not reoccur.



Mary Taylor, CPA
Auditor of State

CIRCLEVILLE-PICKAWAY COMMUNITY IMPROVEMENT CORPORATION
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
JANUARY 5, 2010