



**Auditor of State  
Betty Montgomery**



**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Community Improvement Corporation  
Morgan County  
155 East Main Street  
P.O. Box 179  
McConelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2002 and 2001. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Revised Code Section 1724.05 requires the Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statement and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statement and notes omit assets, liabilities, equity, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Community Improvement Corporation, Morgan County, as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2003 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Community Improvement Corporation  
Morgan County  
Independent Accountants' Report  
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This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

April 8, 2003

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

	<b>2002</b>	<b>2001</b>
<b>Cash Receipts:</b>		
Intergovernmental	\$ 11,571	\$ 43,000
Rentals	62,296	9,690
Earnings on Investments	884	4,989
Other Revenue	3,100	
Total Cash Receipts	77,851	57,679
<b>Cash Disbursements:</b>		
Utilities	39,559	
Contract Services	28,390	
Legal Fees	16,059	27,342
Insurance	43,319	6,271
Miscellaneous	8,532	3,589
Debt Service:		
Redemption of Principal	750,000	
Interest and Fiscal Charges	19,281	
Capital Outlay	808,570	24,808
Total Cash Disbursements	1,713,710	62,010
Total Cash Receipts Over/(Under) Cash Disbursements	(1,635,859)	(4,331)
<b>Other Financing Receipts and (Disbursements):</b>		
Proceeds from Sale of Public Debt:		
Loan Proceeds	1,500,000	
Total Other Financing Receipts/(Disbursements)	1,500,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(135,859)	(4,331)
Cash Balance, January 1	153,437	157,768
<b>Cash Balance, December 31</b>	<b>\$ 17,578</b>	<b>\$ 153,437</b>

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

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**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Community Improvement Corporation, Morgan County (the Corporation), is a not-for-profit corporation and was incorporated in 1967 under authority of Ohio Rev. Code Section 1702.01. The Corporation is governed by 12 trustees, comprised of business, professional, government and community leaders. The Corporation was formed to advance, encourage, and promote the industrial, economic, commercial and civic development of Morgan County.

The Corporation's management believes this financial statement presents all activities for which the Corporation is financially accountable.

**B. Basis of Accounting**

Although required by Ohio Rev. Code Section 1724.05 to file its annual financial report pursuant to accounting principles generally accepted in the United States of America, the Corporation chooses to prepare its financial statement on the basis of accounting formerly prescribed or permitted by the Auditor of State. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**C. Tax Status**

The Corporation has not filed as an exempt organization under Section 501(c)(4) of the Internal Revenue Code. Accordingly, the federal tax status is unknown at this time. By virtue of Ohio law, the Corporation is not subject to Ohio income taxes.

**D. Cash**

The Corporation maintains an interest-bearing checking account.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**2. CASH**

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

	<u>2002</u>	<u>2001</u>
Demand Deposits	<u>\$ 17,578</u>	<u>\$ 153,437</u>

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

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. LAND AND BUILDINGS**

The Corporation purchased the former Malta Windows manufacturing facility from Philips Industries in 2002 for \$800,000. This included both the various buildings on the site and approximately 226 acres of related land. The taxable value of this property is approximately \$2.5 million.

The Corporation also obtained the former Ohio Department of Transportation garage. It was donated to the Corporation by the State of Ohio. The taxable value of this property is approximately \$235,000.

**4. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Promissory Note	\$ 750,000	0% - 3%

The promissory note was issued by the Ohio Department of Development to enable the Corporation to pay off short-term financing for the acquisition of a building and land in Morgan County for economic development. During years 1 through 5 off the note, a zero percent interest rate applies. From year 6 to termination, a 3% interest rate applies. Further, no principal is required to be repaid until 2007. If the building and land are sold or transferred during years 1 through 5, the principal is required to be repaid in payments. If the building and land are sold or transferred during years 6 through termination, then immediate pay-off of the note is required. The note is secured by the building and lands purchased by the Corporation, and the revenues of the Corporation are pledged to repay this debt.

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

Year Ending December 31:	ODOD Promissory Note
2007	\$ 50,694
2008	86,905
2009	86,905
2010	86,905
2011	86,905
2012 - 2017	470,733
Total	\$ 869,047

**5. RISK MANAGEMENT**

The Corporation has obtained commercial insurance coverage for the following risks:

- Comprehensive property,
- General liability, and
- Wrongful acts and dishonesty bond

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. CONTINGENCIES**

**Grants**

The Corporation received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Corporation at December 31, 2002.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Community Improvement Corporation  
Morgan County  
155 East Main Street  
P.O. Box 179  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statement of the Community Improvement Corporation, Morgan County, Ohio (the Corporation), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 8, 2003, which noted the Corporation prepares its financial statement on a basis of accounting other than that prescribed by Ohio Revised Code Section 1724.05. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-51058-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Corporation in a separate letter dated April 8, 2003.

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Community Improvement Corporation  
Morgan County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

April 8, 2003

**COMMUNITY IMPROVEMENT CORPORATION  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2002-51058-001**

**Noncompliance Citation**

Ohio Rev. Code Section 1724.05 requires the Corporation to file its annual financial report pursuant to generally accepted accounting principles.

The Corporation prepares its financial statement in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statement and notes omit assets, liabilities, equity, and disclosures that, while material, cannot be determined at this time. The Corporation can be fined and various other legal administrative remedies may be taken against the Corporation.

We recommend the Corporation take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**COMMUNITY IMPROVEMENT CORPORATION**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2003**